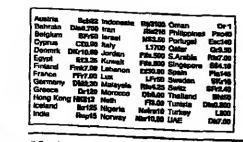
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Monday July 17 1989

# World News

# **Unrest grows** in Soviet pits as 100,000 miners strike

More than 100,000 Soviet coal miners are now reported on strike in the Kuznetsk coalfield in Siberia, with indications that unrest in the pits could spread to the neighbouring field of Achinsk-Kansk. Page

# Von Karajan dies

Austrian conductor Herbert von Karajan, one of the domi-nant figures in the post-war world of classical music, died aged 81 at his home in Anif, ar Salzburg. Obituary, Page 19

## **Afghan supplies**

US intends to increase military supplies to the Afghan resistance in response to airlifts of Soviet arms to the Kabul Government. Page 22

## Soviet sub fire

Soviet nuclear-powered attack submarine was reported ablaze in the Barents Sea, off north-ern Norway. Page 3

## Lebanese killings Nine more Lebanese died in shelling during a Moslem holi-day in Beirut. Page 4

**Belgium-Zaire ties** Belgium has normalised relations with Zaire after a ninemonth row, and announced a new debt relief package for its former colony. Page 4

#### **Panamanian talks** Panamanian Government, army and opposition are to begin negotiations to find a solution to the country's political crisis. Page 3

# Gandhi visit

Rajiv Gandhi, Indian Prime

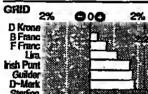
# Benckiser **buys** Camp of Spain for Pta33bn

**Business Summary** 

Benckiser, West German detergents group, has bought 100 per cent of Camp, Spain's biggest privately owned deter-gent producer, for some Pta33bn (\$283m) in a lightning bid which unset an attempt bid which upset an attempt by Procter & Gamble of the US to buy the Spanish com-pany. Page 22

**EUBOPEAN Monetary System:** The Spanish peseta remained firmer last week, prompting the Bank of Spain to sell pese-tas against the D-Mark. The latter finished on a weaker note against the dollar as the US unit improved, in spite of signs that the economy may be slowing. The Danish krone remained the weakest member of the system, but continued to trade comfortably within its European currency unit divergence limit.

#### EMS July 14,1989



12.13 ECU DIVERGENCE 5% 000 5% D Krone B Franc F Franc Lina irish Punt Guilder D-Mark

# Turit ECU Parity Bay Position

By Peter Riddell in Paris The chart shows the two constraints on European Monetary THE LEADERS of the seven System rates. The upper grid, leading industrial democracies based on the weakest currency in the system, defines the cross-rates from which no currency yesterday gently rebuiled a Soviet approach to participate in the Western economic sys-

THE summit of the seven richest industrialised countries has finally completed its transformation: what started out 14 years ago as a strictly

economic policy conclave has become the highest political forum of the Western world.

ern world. In their political and economic decla-rations, the Group of Seven leaders: • Urged continued efforts to keep inflation under control; • Called for reductions in budget defi-cits in the US, Canada and Italy, and policies that will encourage non-infla-tionary growth of domestic demand in

Japan and Germany; • Supported the multilateral surveil-lance and co-ordination of economic

Paris marks Group of Seven's political maturity

policies; • Reaffirmed their determination to fight protectionism:

ngst protectionism; • Urged a strengthened debt strategy, and asked hanks to take realistic and constructive approaches in their nego-tiations with debtor countries; • Welcomed the process of reform under way in Poland and Hungary, announced a package of sid and called for a meeting with all interested coun-tries;

Issued a declaration on human

· Reaffirmed their opposition to terrorism, and endorsed plans to tighten aircraft security;

Agreed to set up a financial task-force to track down the laundering of money from the illicit drugs trade;
 Endorsed the sanctions taken against the Chinese Government in the

wake of its repression of student dem-onstrations; • Asked the OBCD to examine how environmental indicators could be

• Recommended economic incentives to help developing countries take envi-Minister

ronmentally desirable action; • Advocated common efforts to limit emissions of carbon dioxide and other greenhouse gases, and called for a framework convention on climate

Soviet President Mikhail Gorbachev made a surprise intervention, with a proposal for closer economic policy coordination between East and West.

Summit reports, Page 2.

# Summit ends with environment pledge

#### By Peter Norman in Paris

President Mitterrand.

fer high inflation. In response to questions, Mrs Thatcher said she had no plans for an early Cabinet reshuffle. The leaders of the US, Japan, West Germany, France, Britain, Italy and Canada, THE WORLD'S leading industrial countries yesterday pledged to work together to

preserve the global environ-ment and sgreed to promote the development and integra-tion of Third World nations into the world economy. As this world comomy together with the president of the European Community Commission, threw their weight behind the debt reduc-tion plan for middle income As this year's economic sum-mit meeting ended earlier than expected in an weiter of self congratulation and compliments for its host, President François Mitterrand, the leaddebtor nations first proposed by Mr Nicholas Brady, the US

Treasury Secretary. They also agreed to set up a "financial action task force" to ers of the seven major indus-trial countries endorsed exist-ing policies to maintain economic growth. Mrs Margaret Thatcher, Britain's Prime Minister attack the laundering of illicit arcack the saundering of linch profits from the drug trade. President George Bnsh said that the drug question was - with the environment - the issue that prompted "most fer-wour" among the leaders. While noting that the indus-trial world has enjoyed one of the longest periods of suspraised the summit as fully worthwhile. She denied reports that she had felt sumbbed by

At the summit, Mrs Thatcher was unable to obtain all her goals, failing in particu-lar to have the comhat of inflathe longest periods of sus-tained growth since the Second World War, the leaders warned tion singled out as the world's risks to the economic outlook.

main economic priority. At a briefing, she effectively admit-ted that Britain had made mis-The statement also stressed takes in allowing inflation to rise to its present 8.3 per cent, by pointing out that countries the need to achieve further progress in adjusting the large imbalances between the US current account deficit and the with sound policies did not suf-

Japanese and West German But the summit document

was notable for its extensive coverage of environmental issues which took up about one third of the text.

Mr Bush said the summit marked a "watershed" in deal-ing with the environment. He said further steps on environ-mental issues would be taken

at next year's summit. Mr Brian Mulroney, the Canadian Prime Minister, said the talks were remarkable for the urgency with which envi-ronmental issues were dis-

cussed. Be said that some leaders appeared more interested in measures that protected the environment than those affect-

ing their economies. Mr Jacques Delors, the EC Commission president, said there was now a global awareness that the relationship between humanity and nature must change radically.

Environmental considerations should be taken into account in economic decision. making. "In fact good eco-



François Mitterrand: compliments to the summit host

Highest political forum comes of age;

to continue reforms By Gary Mead in Buenos Aires ARGENTINA'S new Economy Minister, Mr Nestor Rapanelli,

Page 20

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FRANCE

In need of a winning mixture

Argentina's

Economy

Minister, Mr Nestor Rapanelli, was formally sworn in on Sat-urday, after the death of Mr Miguel Roig on Friday. Mr Roig had been in the post for only six days when he died of a heart attack. He was 67. Mr Rapanelli, 60, vowed to go ahead with the austerity measures announced last week. These are aimed at com-bating moothly inflation run-ning at more than 200 per cent ning at more than 200 per cent and involve increases of up to 600 per cent on all public sector tariffs, including petrol and other forms of energy.

Mr Rapanelli announced at the weekend that he boped to reach a three-month-long "understanding" on prices today with leading companies, and that 10 basic food items would have fixed maximum prices. in return he has agreed not to raise public sector tariffs or to alter exchange rate policy for the same period.

Mr Menem, who took over as President six months early, surprised the country on June 16 hy announcing the appointment of Mr Roig on a television chat show. Mr Roig's death came at a crucial moment in the development of the emer-gency economic plan, of which he was the key architect.

Mr Menem gave the job to Mr Roig after advice from Mr Jorge Triaca, who is now Labour Minister. Mr Roig, who was not a member of any political party, bad made it clear that he had not voted in the May election for Mr Menem.

He is keen to achieve a social pact hetween trade unions and employers, and Mr Roig was regarded as important in persuading both domes-tic voters and foreign observ-ers that the Menem Administration was seriouslyminded.

He said the initial reaction of the leaders to the letter was Mr Menem's commitment to reaching agreement with hig husiness on how to tackle Argentina's economic crisis was confirmed hy his swift appointment of Mr Rapanelli, a vice president of the multinational group Bunge and Born, one of the world's largest grain trading corporations. As part of his economic plan, Mr Roig had been trying to persuade some 200 "price-forming" companies to accept a price freeze, retroactive to early July, in the hope of stemming inflation. During the first two weeks of this month basic food items donbled and in some cases tripled in price.

Commission a coordinating role in helping to concert tion to to produce enough food efforts of "interested" coun-tion to to transport it towards

# nomic policies and good envi-Continued on Page 22 Letter from Gorbachev is gently rebuffed

complete participation in the

was inseparable from full and economie

meal for

bad on the first bilateral visit by an Indian Premier to Pakistan in 30 years. Page 4

# **Peking clampdown**

Peking's media clampdown has spread to Hong Kong with the dismissal of the editor-inchief of a pro-communist newspaper after a row over editorial policy. Page 4

## Nicaraguan dialogue

Dialogue between the Nicaraguan Government and opposi-tion parties is to be renewed after a meeting between Nica-ragua's President Daniel Ortega and his Costa Rican counterpart. Page 3

#### **S** African fears

Fears have grown in South Africa among radical blacks that their authority could be undermined by the expected release later this year of Nelson Mandela. Page 4

#### Israeli peace plan Yitzhak Shamir, Israeli Prime

Minister, restated his commitment to a peace plan for the occupied territories in a bid to resolve a coalition split over the proposals. Page 3

#### Somali order

Somali President Mohamed Siad Barre has ordered the army to stop random firing after clashes in Mogadishu that after clashes in killed 23 people.

#### Philippines typhoon

Typhoon Gordon swept across the northern Philippines, killing at least five people and wrecking dozens of homes in floods and landslides.

# **UK security search**

Police hunting a security guard who disappeared after collecting \$1.56m in cash from Heathrow Airport, near London, found his abandoned van.

Mourners hurled stones at Sri Lankan President Ranasinghe Premadasa when he arrived in Trincomalee to pay tribute to two killed Tamil leaders.

#### **Cabinet** quits

The Colombian Cabinet resigned for the second time this year.

#### **Jewish protest**

Group of US Jews staged protests at the former Nazi death camp of Auschwitz against the presence of a Roman Cath-olic nunnery on the site.

(except the liro) may move more than 2's per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU), a basket of European currencies. CHINA is considering reducing its imports from US, France

and Australia as a way of pun-ishing them for hardline pro-tests about China's crackdown on dissent. Page 22

PRUDENTIAL-Bache, US securities group, dropped plans to takeover Thomson McKinnon after finding balance sheet problems at the stock brokerage firm which suffered in 1987 crash. Page 27

COFFEE prices which fell after breakdown of International Coffee Agreement this month could bankrupt one of the European Community's key institutions. Page 22

CADBURY Schweppes, Britain's largest confectionery and soft drinks group, may be subject of takeover bid fol-lowing wild share speculation. Page 23

# OLYMPIA & York Develop-ments, privately-held Canadian property company, has raised its takeover bid for BCE Development \$593.2m. Page 27

NATIONAL Telecommunica stions, UK communications group, saw profits fall from \$4.6m to \$4.2m despite turnover almost doubling. Page 24 JOHN Hanemann, chairman of New York's Commodity Exchange (Comex) resigned in a move that surprised trad-

# ers. Page 27

SOUTHMARK, major Texas financial services and real estate group with debts of more than \$2bn, has filed for protection under Chapter 11 of the US bankruptcy code. Page 27

# HISPANIA, Spain's largest privately-owned charter airline, based in Palma, Majorca,

ceased trading in a dispute over the payment of bills. Page 8 MOTOROLA, US electronics group, reported a solid rise in second-quarter earnings to

# Sri Lankan stoning

\$154m and said it was poised to expand its presence globally. Page 27 AIM Group, UK manufacturer of aircraft interiors and equip-

ment, boosted pre-tax profits 26 per cent to \$7.2m. Page 24 BRITISH retail sales returned to a slower growth path last month after rebounding in May. Page 6

SOUTH African efforts to res-

chedule \$7.5bn owed to foreign hanks are being opposed by the African National Congress (ANC) and anti-apartheid groups. Page 4

tries. A meeting will take place in the next few weeks to bring tem as they agreed a far-reach-ing package to assist economic and political reforms in Poland these countries together, the first time that there has been a formal follow-up to a summit and Hungary. Poland has, for the first decision. -

This will consider a range of time, been given potential access to help under the US-in-spired Brady plan to reduce the debts of Third World comissues affecting support for Hungary and Poland, including the urgent need for food in Poland - the latter initiative being suggested by Mrs Mar-garet Thatcher, the British tries. This could be worth bil-Prime Minister.

The rapid pace of change in parts of Eastern Europe domi-nated the political side of the Mr Jacques Delors, Commis-sion president, said that Poland needed steady food sup-plies over a two-year period, not simply food ald, because summit. In a significant new development, the leaders agreed to give the European

The communique on the last day stressed that economic assistance to Eastern Europe would be aimed at reinforcing recent political changes and at transforming and opening up their economies.

consumer centres.

The debate was, however, changed by the unexpected arrival of a letter from President Mikhail Gorbachev to President Francois Mitterrand. the summit host. Mr Gorbachev called for global co-opera-

tion in economic matters. He proposed the co-ordination of macro-economic policy and argued that perestrolka

integration with the rest of the world is a break from previous Soviet economic isolation and is linked to an interest in being associated with the International Monetary Fund and World Bank.

Mr Gorbachev's a

President George Bush described this approach and a suggestion that Mr Gorbachev might attend the next annual summit as a "little premature." Mr Bush, as well as Mrs Thatcher, said that a lot had to happen in the Soviet Union before that matter could be considered since the summit was a meeting of free market

world economy.

by that?" Mr Bush also speculated on the timing since earlier receipt would have given "more time for consideration." Mr Bush, however, found the fact of the letter "fascinating" and "one more manifestation of the changes through which we're living."

what do you think he means

Mr Bush was last night clearly elated by his success in achieving his summit aims, notably international acceptance of his approach to Poland and Hungary. This was closely coordinated with West Germany.

# **AT&T** switches \$850m Italian holding from Olivetti to CIR

#### By John Wytes in Milan

lions of dollars.

occasion for major capital rais-ing operations for both Olivetti AMERICAN TELEPHONE and Telegraph (AT&T) and Mr Carlo De Benedetti, the Italian and CIR. As explained by Mr De Bens-detti and Mr Allen at a joint press conference in Milan on Saturday, AT&T's hithertn businessman, are recasting their business relationship in a

deal which aims finally to retre the six-year-old "global alliance" between the US tal-communications group and Olivetti, the Italian office industrial investment in Oli-vetti is to be transformed into a financial holding in CIR by selling its 100m Olivetti shares AT&T has liquidated its 22.35

to CIR for L1,140bn (\$835m). This yields a price of L11,400 per share, or a premium of 14 per cent on Olivett's closing per cent stake in Olivetti for \$550m and transferred the investment to CIR, Mr De Benedetti's industrial holding company, which has interests price on Friday, and delivers a \$560m profit on AT&T's initial 1963 investment of \$260m.

ranging from control of Oli-vetti itself to car components and publishing. The deal is the solution At the same time, CIR is to issue new capital for L1,450m of which L1,150bn will be reserved for AT&T, half in ordinary shares and half in which Mr De Benedetti and Mr Robert Allen, president of AT&T, have identified for endnon-convertible savings shares. The US company will pay L12,500 for each coupling of ing an alliance which they now admit failed to live up to both one ordinary and one savings share - a premium over cur-The agreement on a new relationship - defined by one litalian wag as "AT&T divor-ing the daughter to marry the mother" - is also to be the rent market prices of 31.5 per cent which values CIR at about L6,400bn. As a result of these

operations, CIR's holding in Olivetti will rise to about 40 per cent, while AT&T will be the second shareholder in CIR, with 18 per cent. The largest will remain Mr De Benedetti's personal investment company, Cofide, whose stake will fall

from 48 to 35-36 per cent. Both Olivetti and CIR's future development will be aided by capital strengthening operations later in the year.

Olivetti is set to raise up to L1,280bn, including L454.1bn through a rights issue of 54.7m ordinary shares at a price of 18,300 on a one-for-10 basis.

At CIR, in addition to the share issue to AT&T, there will be a one-for-nine ardinary issue to all existing sharehold ers at L5,090 per share to raise L178bn. A further L122.6bn is be raised through two different types of warrants linked to a six-year bond issue. AT&T's stake in CIR will fall to about 16.5 per cent if it does not sub-scribe to the new capital SSILES

Background: Page 27

South Africa: Blacks unconvinced by negotia-

# CONTENTS

parties' expectations.

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	No other European has ever reached such a senior position in IBM as Mr Kaspar Gassani, who has just retired as jnint vice- chairman of the board of directors. Pege 38	Hanagements Yamaha - playing an interna- tional tune
		Lombards Still soppy on UK union power21 Lex: Raiders wanted for US bank job
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# WE NEVER BELIEVED IT WAS POSSIBLE UNTIL WE CAME TO SWINDON.

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# THE PARIS SUMMIT

# Highest political forum of the Western world comes of age

# Ian Davidson hails a gathering which has grown from economic conclave to showpiece of the Group of Seven industrialised countries

7 ITH the major precebelongs naturally in Western

dent of their declara-tion on policy towards Eastern Europe, and the surprise intervention of a letter from Mr Mikhail Gorbacbev, the summit of the seveo ricbest industrialised countries bas finally completed its transformation: What started out 14 years ago as a strictly eco-nomic policy conclave has now become the highest political forum of the Western world.

2Φ

At the same time, the summit has laid down oew bench-marks of political showmanship and media hype. On this soccasion, the public hoopla has been the direct consequence of bolding the meeting at the same time as France's bicen-tennial celebrations. But it is impossible now to imagine that future summits will ever revert to the model of discretion which marked the beginning of

the series 14 years ago. The principal innovation of the declaration on East-West relations is that the leading Westero governments have at last decided they can and must co-ordinate their actions, so as to help Eestern European countries travel the difficult road of political and economic reform.

But almost as important is the fact that the institution chosen to handle this policy co-ordination is the Commis-sion of the European Community. The US administration of Mr George Busb might have preferred to assert its role as ader of the Western world, but it has tacitly conceded that the leadership of Western pol-icy towards Eastern Europe

Europe. Only one flaw bas spoiled an otherwise harmonious occasion: the undiplomatic war of words between Britain and France. Neither government has emerged with any credit from this unaccountable quarrel over which country bas done most or least for buman rights; but Mrs Thatcher's nnenviable reputation in France has undoubtedly been further damaged by her sneers at the Bicentenary and what it stands for.

The adoption by the seven-nation summit of a "Declara-tion on Human Rights" is obviously in part a polite and pious gesture towards President Mitterrand, France, and the Bicentenary: the Rights of Man are the favourite part of tha French Revolution for those who do not lika revolutions. But it is also a important and relevant political statement in the context of the "revolution-ary" changes under way in stern Europe.

Fifteen years ago, in the Hel-sinki negotiations with the Soviet Union, Western govern-ments struggled to assert the principles of human rights. In return for a moral truce over the physical division of Europe by the Soviet Union, they succeeded in extracting Russian lip-service to the idee of human rights; the West had lit-tle hope that it would make much difference to Soviet prac-tice, but at least it would be an entrenched bargaining lever against the authoritarian regimes in the East. Today, all of a sudden, the

Gorbachev régime bas con-ceded the fundamental right-ness of the principles that the West upholds; these are the principles underlying peres-troika, glasnost, and the

etherging democracy of Poland and Hungary. All of a sudden, the West has become the arbiter of the reforms in the Soviet Union and in Eastern Europe. The new Declaration on Human new Declaration on Human Rights may not add much to what is already encapsulated

in previous declarations, but it is the direct complement of the emerging Westero policy of co-ordinated help for Eastern rights goes back a couple of historical fact, Mrs Thatcber has been well briefed: of course, the notion of individual rights goes back a couple of thousand years at least, and received its modern European expression long before the French Revolution. But the main issue, in 1989, is not whather the French Revolution Europe. All of which makes unusu-ally puzzling Mrs Margaret Thatcher's gratuitons attack. in two French interviews on

the eve of the summit, contest-ing the Frencb claim that France has played a unique role in establishing the princiwhether the French Revolution was a good thing, but how to rescue Eastern Europe and the Soviet Union from Commuple of the rights of man. If it were only a matter of

Moreover, it was a doubly



Trues i no seven will andle: That her, Howe and Lawson on the UK team in Paris

curions decision of Mrsissues. The leaders evidently Thatcher to attack France's found almost nothing new to buman rights record, just before a meeting at which ject of the management of the before a meeting at which Britain hoped to mobilise other governments to belp protect the buman rights of the people of Hong Kong. In the event, the summit declaration on China fell a good way short of any explicit commitment to provide over the other six western leaders, and his advantage has been enormously magnified by the Bicentenary celahrations of the French Revolution. asylum for people from Hong Kong, but it did recognise that the "international community" Of course, the specifics of ought to support Hong Kong. What is not in question is the Bicentenary have been con-troversial; a revolution would

that with every succeeding year, the annual summit meet-ing of the Group of Seven has controversy, and in France it would be unthinkable not to become a bigger and bigger cir-cus. The first such meeting was held 14 years ago at Ram-bouillet, in the wake of the

first oil price explosion. At the instigation of Frencb President Valery Giscard d'Es-taing, a handful of Western leaders wanted a discreet and private fireside chat, to work out a response to the interoa-The theatrical media events staged to commemorate the tional economic crisis. They ware equally anxious not to attract too much public attention. Political issues were not on the agenda.

on the agenda. This year, the so-called Eco-nomic Summit was chosen to inaugurate the spectacular Arche de la Défense, with Arcbe de la Defense, with every encouragement for maxi-mum publicity. Advance bill-ing suggested that the summit would produce little of impor-tance; yet over 6,000 journalists came to throng the unceasing round of national briefings.

In response to this demand, the meeting quickly produced a handful of ringing declara-tions on a range of political

rather sandbags the criticisms of his carping adversaries. world economy. Inevitably, this has been Mit-terrand's summit. As bost, the French president has obviously had a psychological advantage over the other six western

of his carping adversaries. He has not got everything be wanted out of the summit, not by a long chalk; the idea of a North-South summit, proposed by four leading developing countries and supported in principle by the French presi-dent, was stilled by the com-bined opposition of President Bush and Mrs Thatcher. But the exchange has made Britain and America seem small and and America seem small and mean-minded, leaving France

in the grateful role of the friend of the down-trodden. But the most striking ele-ment in the East-West Declaration, and no doubt the least welcome to Mrs Thatcher, is the central role assigned to the Commission of the European

The outsize architectural monuments inaugurated these past few days, from the Opéra-Bastille in the East to the Pyra-mide du Louvre in the centre and the colossal hollow cube of the Arche de la Défense in the west, bave provoked as much Community. When the Economic Summits started, the French vio-lently opposed the presence of the Commission; but now the wheel has turned full circle. President Bush would no debete as edmiration.

doubt prefer to shift American leadership from the military arm of Nato to the political dimension of the Atlantic Alliance, but the Americans are forced to accept that the Euro-pean Community has acquired the political mass which makes it the unavoidable vehicle for Western policy towards East-

What no one denies is that the buildings and the events bave been constructed on a grand scale, and may reinforce President Mitterrand's aspiration to claim for France a certain rank in the world. Moreover, be bas stamped

not be a revolution witbout

Revolution, from the recum-

bent ladies reciting the Decla-ration of the Rights of Man, to

the jokey parade staged on the Champs-Elysées by Jean-Paul Goude, beve been much dis-

have ona.

sected

his personality and his priori-ties on the political events of the past week in e way which

ern Europe. Mrs Thatcber has been forced to accept that Western Europe's strategy towards the East will be masterminded by her dear adversary, Mr Jacques Delors, president of the Commission, a Socialist and a Frenchman to boot. It must be too much.

# Early Seven show differences flight over policy priorities from

By Peter Norman, Economics Editor

THE economic summit meeting in Paris marks a shift of gear in economic policy co-ordination among the seven leading industrialised coun-

Gone are the days of focusing on a single issue such as reducing the value of the dollar after the September 1985 Plaza agreement or maintaining stable currencies as in the Louvre Accord of February

instead, the final communiqué recognises what has become increasingly clear at successive interoational gath-erings over the past 12 months: that the seven - the US, west Germ Britain, Italy and Canada ~ have differing policy priorities. This approach represented something of a setback to the British Government. For largely domestic political rea-sons, Britain wanted the economic declaration of the seven to make clear that infla-tion was, in the words of one official, "public enemy number one". In that way, the government could have explained Britain's high 8.3 per cent rate of inflation as part of a world phenomenon. However, while inflation was listed in the final summit statement as first among the risks to the world economy, other countries made clear that it tem was not the prime issue of concern for them. Mr Toyo Gyohten, Japan's

Airport

security

initiative

By George Graham

sebotage of aircraft.

THE SUMMIT leaders reaffirmed their opposition to terrorism, and endorsed plans

to tighten security against the

The seven agreed to give pri-ority to strengthening security measures so as to stop bomb attacks like that on a Pan Am

aircraft blown np over Locker-bie in Scotland last December,

killing 270 people. They called for tha imple-

mentation of the airport secu-

Vice-Minister for Finance, responsible for international affairs, said that his country's top priority was to maintain dom estic, demand-led growth, albelt on a non-inflationary basis. Mr Michael Wilson, Canadian Finance Minister, said that, while all had to be vigilant about inflation, only Britain, Italy and Canada had to give top priority to combatting it.

# International economic co-operation

Mr Pierre Bérégovoy, French Finance Minister, said that, although a consensus existed

fleshpots flexible approach to improve By Philip Stephens, the functioning and the stabil-**Political Editor** 

ity of the international mone-tary system," the statement said. WE CAN all sleep soundly again. Fresh and clear-headed As expected, French plans to after their bicentenary celebrations, the non-communist world's most powerful leaders have cast their gaze across the move to a system of greater currency stability among the seven were not accepted by the other summit countries. The leaders only asked the finance ministers "to keep under world's problems - and, of course, solved them. So dedicated and determined. review steps that could be were they that they managed taken to improve the co-ordinato finish early, sparing themtion process, exchange market co-operation, and the functionselves yet another gruelling afternoon of the unforced smiles and co-operative spirit

ing of the international monethat enveloped their gathering. tary system". Mr Nigel Lawson, UK Chan-cellor of the Exchequer,

No-one could begrudge them a respite after a weekend of lained that the lack of any such momentous achie

# Moscow seeks interdependence with West

SOVIET President Mikhail Gorbacbev made a surprise intervention in the Paris summit, with a proposal from Moscow for closer economic policy co-ordination between East and West, Ian Davidson reports.

In a letter addressed to President François Mitterrand, as host and chairman of the seven-nation economic summit, Mr Gorbachev urged the case for economic interdependence between East and West.

The sentiments expressed in the letter were warmly received by the summit participants, but it will elicit no direct policy response from the Western leaders. Mr Mitterrand will reply to the letter, in

his capacity as summit chairman, in generally positive terms

While the Western leaders welcome all signs of Soviet interest in economic rapprochement with their countries, there seems little pros-pect that this interest can bear fruit until the Soviet economy has been transformed and Soviet society and the Soviet political system have made

more progress. Mr Gorbacbev's letter called for e strengthening of multi-lateral co-operation between

Union was ready for a constructive dialogue with the West on economic questions.

"Our perestroika is inseparable from a policy leading to the fall and complete partici-pation [of the Soviet Union] in the world economy.

# Letter from Gorbachev.

The Soviet president said that the rest of the world could not fail to benefit from the opening of the Soviet econ-omy to tha rest of tha world. In the letter, he wrote that

there was a large area of com-mon interest, as was made evident by the positive improve-ments in bilateral links with the Soviet Union, by the understandings reached in Vienna in context of the "sec-

ond basket" of the Helsinki agreement, and in the estab-lishment of links between Comecon and the European Community. The Soviet leader also claimed that there was a con-

vergence of interest in the search for solutions to global problems, such as Third World debt and aid for developing

countries. Mr. Gorbachev concluded by expressing the desire for a constructive dialogue, free of ideological prejudice, which might start by the establishment of professional contacts between governmental experts. He hoped his thoughts would be useful for the participants at the Paris summit

East and West. He added thet the Soviet

inflation, the summit countries had to do everything possible to avoid recession. Symbolic of this more subtle approach to the world economic developments was the decision of the seven to omit any specific commitment to keeping currencies stable, and to mention no policy goals concerning the dollar.

The statement merely recalled that there had been continued co-operation in exchange markets, and that policy co-ordination had made

a positive contribution to world economic development and the functioning of tha international monetary sys-"It is important to continue

and, where appropriate, to develop this co-operative and

money laundering

ments, finally packaged neatly clear statement on currencies in one of the finest example reflected the absence of central yet of the art form created by 15 years of summitry - five bankers from the meetings -this distinguished the meetings of finance ministers in Paris from the G7 meetings held each spring and autumn at the time of the International Moneseparate texts. Nor could one quartel with President François Mitter-rand's typically modest assess-ment that the summit had

tary Fund gatherings. The vague text adopted in Paris also reflected the difficulties experienced among the seven in keeping currencies

been the most successful since the French had invented them stable in recent months while the dollar has been strong. the Gollar has been strong. The Paris etatement also reflected the fact that the main backers of currency stability among the seven - Mr James Baker of the US, Mr Gerhard Stoltenberg of West Germany and Mr Kiichi Miyazawa of

derivative believed to become addictive in three cases out of

four after only three doses,

compared with more than a year for pure cocaine or five months for heroin.

They backed an interna-

15 years ago at Rambouillet. Mrs Margaret Thatcher, anxions to voice her gratitude to the French president for his gracious efforts to consign her to the back row of world poli-

tics, could not recall a meeting "in which the spirit had been better". Sha had received "90 per cent cheers to only 1 or 2 per cent boos and hisses" – a Japan - no longer occupy finance ministries. Task force to hunt drug

much better record that at home. So the prime minister was obviously mystified by Presi-dent George Bush's earlier attempt at gallantry, when he was heard to remark that she had been "shabbily treated". There could be no question abont the summit's accom-

Sketch

plishments. The leaders, those all-important texts told us, had agreed that "we remain resolutely opposed to terrorism in all its

forms". Mindful of the historic tim-ing of their deliberations they had also framed a new declaration of universal values. Human rights, we can be assured, "are a matter of legiti-

mate international concern". Thanks, we were told, to the drafting skills of a Britisb official, the poor can also take comfort. It is not poverty, but only "extreme poverty", that violates the dignity of man.

East-West relations were nevar far from tha leaders' minds, even before they read President Mikhail Gorbachev's application to join future fes-tivities of the kind. No further action on Peking

Appropriately enough they were half-way through a meal of stuffed lobster and lamb, and sipping a modest Château Montrose 1918, when they agreed that now was the time to get rid of the remains of the European Community's stale butter and meat surpluses. What could be better than to send it to Poland, demonstrat-ing once again the generous nature of the system that the Polish people are policipative tru-Polish people are valiantly trying to emulate?

Then there is the global environment. We could tell the eaders were taking it seriously, the White House said. dence in Hong Kong. That fell short of Britain's request that because it accounted for a full third of the main summit text.

Peter Riddell assesses hard-currency aid to Poland and Hungary

Helping hands reach eastwards

R EFORM in eastern Europe is now firmly and formally on the international agenda. Thanks to delicate footwork

Thanks to delicate lootwork at the weekend by the US and West Germany, not only was Poland given a big boost in resolving its debt problems bnt, unexpectedly, the Euro-pean Commission, for the first time and to it delicate these time and to its delight, has a formal role in following up an annual summit's decisions.

Before the summit, President Before the summit, President George Bush had written to other leaders seeking a com-mitment to work in a concerted way. This was repeated in a cruder form dur-ing his visits last week to Poland and Hungary, when US officials specifically urged other countries to match the private sector enterprise funds private sector enterprise funds

launched by the US. On Thursday and Friday, there wes some irritetion among other summit particlpants - notably France, West Germany and Britain, all with close recent contacts and announced programmes of assistance - at the impression that somehow the US had "dis-covered" Poland and Rungary. But this turned out to be irrelevant; the main US aim was to secure agreement on concerted efforts and on allevconcerted efforts and on allev-iating Poland's debt problems. The problem was bow. The idea of involving the Commis-sion came from Chancellor Hel-mut Kohl of West Germany, with discussions between West German and US officials. So when, during the first ple-

So when, during the first plenary session, Mr Busb raised the issue of further work on eastern Europe, Mr Kohl intervened to urge a meeting con-vened by the EC within weeks.

# The US readily agreed, with Britain acquiescing. The communique welcomed "reform under way in Poland and Hungary. Each of us is prepared to support this pro-East/West relations

cess and to consider, as appropriate and in a co-ordinated priate and in a co-ordinated fashion, economic assistance aimed at transforming and opening their economies in a durable manner. "We believe that each of us should direct our assistance to these countries so as to sustain

the momentum of reform through inward investment, joint ventures, transfers of managerial skills, professional training and other ventures which would develop a more competitive economy.

"We agreed to work with other interested countries and multilateral institutions" to with, in particular, acceptance that this can go shead via no more than a Polish application to the International Monstary harmonise support for reform in Hungary and Poland, so as Fund, rather than a firm agreeto make "our measures of anp-port more effective and mutument by Warsaw with the IMF. port more energies and mun-ally reinforcing. We call for a meeting with all interested countries, which will take place in the next few weeks. We underline, for Poland, the

urgent need for food. "To these ends, we ask the Commission of the European Community to take the necessary initiatives in agreement with the other member states of the Community, and to asso-ciate, besides the summit participants, all interested countries.

Also, a big push has been given to rescheduling Poland's \$39bn (£23bn) external debt -

fn a new development, Poland will qualify for help under the Brady debt-reduction plan, but only after agreement with the IMF. This could release substantial funds. The communique stated "We are in favour of an early. the strengthened debt strategy is applicable to Poland, pro-

vided it meets the conditions, We are ready to support, in the Paris Club, the rescheduling of Polisb debt expeditiously and in a flexible and forthcoming manner".

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Authors of delicate work on behalf of Warsaw: Bush and Kohl confer at the summit

#### FINANCIAL TIMES

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rity recently adopted by the International Civil Aviation Organisation Conference, and The efforts to clamp down on the laundering are also expec-ted to have repercussions on attempts by the European Community to prevent tax Terrorism backed ICAO efforts to develop international rules for markfraud ing plastic and sheet explo-The summit leaders called for urgent measures to stop drug plant cultivation, by help-ing producer countries to consives to make them more eas-

By George Graham

year.

THE seven leading industrialised countries have

agreed to set up a financial

task force to track down the laundering of money from the

illicit drugs trade, estimated at more than \$300bn (£186bn) a

ily detectable. "as a matter of high priority"... The measures to mark plas-tic and sheet explosives are aimed at enabling airport detection of explosives such as Semtex and C-4, which can be easily concealed in electronic apparatus such as radius and and to accelerate the ratification of the Vienna Convention on illicit traffic in narcotic apparatus such as radios and which give off little of the yapour which can be detected drugs and psychotropic substance

by sniffer machines. Tha summit declaration also contained a particular con-demnetion of bostage-taking. "We call on those bolding hostages to release them immedi-ately and unconditionally, and on those with influence over bostage-takers to use it to this end." it added.

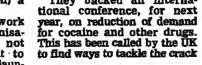
The task force is to work with international organisations and governments not involved in the summit to study the extent of such laundering and to consider the changes in law that might be needed to prevent it. "We must seize the routes by problem.

which drug money circulates," said Mr Pierre Bérégovoy, French Finance Minister.

vert to other crops; to strengthen the role of the UN in the war against drug abuse by giving it more resources;

"The drug problem has reacbed devastating propor-tions. We stress the urgent need for decisive action, both on a national and an interna-

months, to draw up a common



Drugs

The task force on money laundering is expected to bring together high-level financial

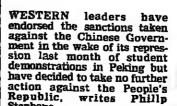
experts with the International Monetary Fund, the Bank for International Settlements and the Organisation for Economic Co-operation and Development.

"It is not a problem of the police or customs; it's a bank-ing problem," said one official. Finance ministers want to

Finance ministers want to irack down the main money-laundering circuits, including bnsinesses with heavy cash receipts such as football clubs and cinemas. Mr Jacques Delors, President of the European Commission, who also took part in the sum-mit, added that the task force could conforther in finding

mit, added that the task force could go further in finding ways to control the flows of money in the black economy. "We see this as a means to resolve our own problems, notably the fight against tax evasion," he said, noting that the EC would seek, in coming months in draw ill a column

tional basis," the summit dec-laration said. The seven leaders were parsupervisory system for control-ling money laundering. ticularly worried by the rapid spread of crack, a cocaine

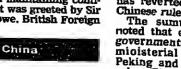


Stephens. The communique agreed by the seven summit leaders at the weekend said they also recognise that the "continuing support of the international community" will be important in the maintenance of confi-

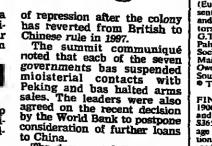
Secretary, as an important step towards international recogni-tion of the colony's vulnerabi-

He has faced pressure in the UK Parllament to seek an international agreement to provide a "safety net" for the peo-ple of Hong Kong, in the event

its partners agree to "play a full part" in maintaining confi-dence, but it was greeted by Sir Geoffrey Howe, British Foreign

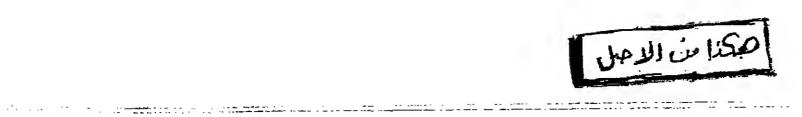






to China.

The document left open the possibility, however, that each member of the seven may decide when it might re-establisb contacts with the Peking autborities.



**OVERSEAS NEWS** 

# FINANCIAL TIMES MONDAY JULY 17 1989

# **Baker plays down US** differences with Israel

By Lionel Barber in Washington and Peter Riddell in Paris

MR JAMES BAKER, US one because we were genuinely Secretary of State, yesterday concerned that the Israell gov-Secretary of State, yesterday played down differences with the Israeli government over its peace proposals for the Middle

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"We have been reassured by "We have been reassured by the government of Israel that it stands four-square behind its original election proposal," said Mr Baker, referring to Israel Prime Minister Mr Yit-zhak Shantir's plan to hold Pal-estinian elections in the occu-nied territories pied territories.

After the Liknd Party insisted on tight conditions for the conduct of the elections. Mr Baker said he would send an envoy to Israel to see if the government's plans had altered. But late last week President George Bush said this visit would not go ahead at present because of reassurances that Israel's policy was unchanged. Mr Baker said over the week-

end, however, that the US might still send an emissary. He said the US had been "thinking about sending some-

By Hugh Carnegy in Jerusalem

ernment was to some extent devaluing its own election pro-posal - something we have worked very hard to imple-ment. But in the interim the government of Israel had made it quite clear that they are totally committed to the elec-"The National Unity Govern-

ment is sorting out whatever differences they had. So we're quite satisfied now that they are prepared, ready, willing and able to continue to push this proposal." Mr Baker added that there

would be continuing talks with Israel and "I foresee clearly that we will be talking to them in quite some details about this election proposal. Whether that's done in the Middle East or whether it's done in Washington or whether it's done

through ambassadors, it will be done.

question about whether there's any real doubt about their commitment to their own election proposal. Right now we're satisfied." At the summit of the seven

leading industrial democracies in Paris, foreign ministers backed an international conference on the Middle Bast, though with reservations expressed by the US.

The foreign ministers said, Israeli proposals for elections in the occupied territories were "a step forward towards mutual recognition of these problems, provided elections take place under acceptable conditions", according to Mr Roland Dumas, the French For-

eign Minister. Mr Dumas added that the

summit participants agreed that an international conference should be held in an appropriate framework. How-ever, the US made clear its view that, while not opposed to a conference as such, it did not regard such a meeting as

He said the US would send a conference as such, it an emissary when "we think it is necessary to address this appropriate at present. Shamir reaffirmation of peace

# Talks to begin on Panama's political crisis

## By Tim Coone in Managua

FOR the first time since Panama's ance, and representatives of the govern-elections were annulled last May, the ment itself, "with active participation by the Panamanian Defence Forces", government, army and opposition are to begin negotiations to find a solution to the country's lingering political crisis. The first talks were due to begin yesterday evening.

An agreement for the tripartite meeting was worked out over the weekend through the mediation of a delegation of the Organisation of a delegation of the Organisation of American States (OAS). Dr Ricardo Arias, one of the leaders of the Adoc opposition alliance, told the Financial Times: "We have agreed to talk and we understand through the OAS that the government has also agreed. There are no precondi-tions and there are no exclusions to the discussions. There will be an open

The tripartite talks will include the presidential and vice-presidential candi-dates for Adoc, their counterparts for the government-controlled Colina alli-

By Tim Coope

Dr Oscar Arias.

the need for a "national dis-

logue" since his return to Nica-ragua from exile last month.

The PSD forms part of a block

Ortega prepared to

discuss elections with

Nicaragua opposition

# said Dr Arias.

The presidential and National Assembly elections were annulled on May 11, after the government attempted to falsify the results. On election day, polling station returns gave a landslide victory to Adoc, with a consistent 40-point marin over Colina. The official results however, which were never made com-plete, gave the victory to Colina.

Dr Arias said Adoc would continue to insist on the removal of Panama's strongman, General Manuel Antonio Noriega, from the Panamanian Defence Forces (FDF), and on a recognition of the Adoc victory in the May polls as a basis for a solution to the crisis. These are not pre-conditions for the talks but will be issues raised during their course," he said.

This last-minute arrangement will

#### enable the OAS delegation to report back progress in the Panamanian crisis to a General Assembly meeting of the organisation scheduled for July 19 at its hington headquarters.

There were fears that failure by the OAS mission to break the impasse might heighten the possibility of a military confrontation between the PDF and US forces based in Panama. The US government has not ruled out use of military force to unseat Gen Noriega, who would face drug-trafficking charges in two US federal courts if he were extradited. US troop and armour reinforcements

were sent to Panama shortly after the elections. In recent weeks the war of nerves has been stepped up, to the point that US armoured convoys have been driven past Gen Noriega's head-quarters and US belicopters have flown over them.

Under the 1977 Panama Canal Treaty,

# Various diplomatic moves have been made in the past week related to the Panamanian crisis, notably talks between President Carlos Andrés Pérez of Venezuela and President Daniel Ortega of Nicaragua, and a meeting

the US will hand over control of the

waterway to Panama in 1999, but until

then US forces are free to move where they wish in Panama when on manoeu-

vres related to the defence of the canal.

between Gen Noriega and Dr Sergio Ramirez, the Nicaraguan vice-president. Cuba and Nicaragua are the only countries continuing to give diplomatic support to Gen Norlega.

No details of the meetings have been released but it is thought that Mr Pérez has attempted to persuade Nicaragua to drop its support in the light of the recent executions of four senior Cuban million afform who were convited of military officers who were convicted of drug trafficking, and who had links to the Panamanian military.

Kabul appeals

for US backing

# Soviet nuclear sub 'ablaze' By Karen Fossil in Oslo

A SOVIET nuclear Alpha class attack submarine yesterday appeared to have caught fire 80 June 11 an Echo-II class A Sovist interar Apha class attack submarine yesterday appeared to have caught fire 80 miles off Norway's northern coast, Norwegian officals said

last night. Mr Thorvald Stoltenberg, Norway's Foreign Minister, called in the Soviet ambassa-dor, who denied there was a submarine in distress. How-ever, Norwegian television reported that officials from a Soviet rescue centre said a

AFGHAN President Najibullah yesterday appealed to US President George Busb to put pres-sure on Pakistan to hait its nuclear submarine caught fire; no deaths were reported. This comes at a time when Norway is in the midst of drafting a proposal to present to the Soviet Union concerning the implementation of a reciprocal warning system during times of air or sea incidents in and

Kabul

# Fiat complaint against FT rejected

AN magistrate in Milan has rejected a complaint from Fiat that the Financial Times and its Milan correspondent, Mr Alan Friedman, had criminally defamed the company in an article published on November 11 1987.

trate rejected the defence's argument that the Italian courts had no jurisdiction; the magistrate said that since the newspaper was distributed in Italy, the alleged offence was committed on Italian territory. The magistrate also turned down the defence's contention that the complaint could not be allowed because it had been brought by Mr Cesare Romiti, managing director of Flat, and not by Mr Agnelli. The magistrate said the article referred to Mr Agnelli in his capacity as chairman of Flat and it was

INVESTIGATING Party. Flat's denial was called upon to represent the rate in Milan has reported in the article. company - Mr Romiti -a complaint from Flat In his judgment, the magis- should bring the complaint.

In concluding that Mr Friedman correctly exercised the right of reporting, the magistrate referred to the principle, in cases of potentially defamatory statements, that the information must be kept within the limits of what is objective, impartial and presented in a correct fashion. "In this case, the journalist did respect these limits." Mr Friedman, the magistrate said, restricted bimself to reporting the information he ad acquired and the denial by Flat, so that the reader could make a comprehensive evalua-

tinians from the territories, MR YITZHAK Shamir, the Israeli Prime Minister, restated his commitment to the government's peace plan for the occu-

plan fails to satisfy Labour

pied territories at yesterday's cabinet meeting, in a bid to resolve a coalition split over the proposals, but failed to sat-isfy Mr Shimon Peres, the Labour Party leader. Mr Shamir tried to bridge Labour last week threatened to pull out of the coalition after

Mr Shamir accepted hardline conditions limiting the peace initiative, insisted upon by the right wing of his Likud Party. The initiative proposes elec-tions in the West Bank and Gaza Strip to establish interim Palestinian self-rule, followed by negotiations on a final settiement.

Yesterday's cabinet meeting was the first since the Labour threat. It was preceded by announcements that Mr Shamir and Mr Moshe Arens, his Foreign Minister, had sepa-rately met unidentified Pales-

something Labour was con-cerned had been precinded by the Likud conditions.

the gap at the cabinet meeting in a reply to a deliberately has a reply to a demonstrately planted question from Mr Arye Deri of the Shas religions party. The prime minister's spokesman said his answer contained a "formal and cate-gorical" reafilirmation of the

peace plan as adopted by the government in May. But Mr Peres objected, saying he wanted a formal vote by the cabinet that would remove any contradiction by the Likud. conditions, Labour believes the peace plan was fatally under-mined by these conditions, which include ruling out starting any peace process before the Palestinian uprising in the territories is crushed.

Mr Shamir's spokesman said efforts would now be made to find a formula to satisfy all obstacles for us.

parties. He said this would take a week or two, but he continued to expect a solution.

The problem for Mr Shamir is to satisfy Labour without causing a renewed eruption within Likud. He wanted to avoid a vote on the issue avoid a vote on the issue because he and Likud minis-ters are formally bound hy party resolution to ahide by the party's conditions. Mr David Levy, the Housing Min-ister and a leader of the Likud methods methods that

rebels, warned yesterday that they would not accept "some sort of exercises" aimed at skirting round the Likud conditims. Mr Yossi Ben-Aharon, direc-

tor of Mr Shamir's office, told Reuters yesterday the US dia-logue with the Palestine Liberation Organisation and the Isreali peace plan were "mutu-ally exclusive". He said the US's insistence on talking to the PLO created "formidable

their intention to participate in the elections. The block includes the right-wing parties which abstained in the 1884 elections. The ruling Sandinista party won those elections with 67 per

A DIALOGUE between the Nicaraguan government and opposition parties is to be renewed following a weekend meeting between Nicaragua's President Daniel Ortega and his Costa Rican counterpart,

to the electoral law, insisting that opposition demands will be dealt with within the frame-

Dr Oscar Anas. Dr Arias, a prime mover of the Central American peace process, immediately described the move as "a very positive work of the existing law. The electoral law underwent substantial reforms earlier this

step". Mr Ortega has agreed to re-open multilateral talks with year following the Central American presidential summit in El Salvador last February, those parties which have undertaken to participate in at which Mr Ortega promised next February's general elec-tions, to discuss opposition demands regarding the organi-sation of the electoral process. Mr Alfredo Cesar, a leader of democratic reforms in return for a commitment by the other presidents to seek a demobilis-ation of the US-backed Contras

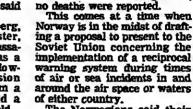
based in Honduras. The Contras however have since been bested up with a new "humanitarian aid" packthe opposition Social Democrat Party (PSD) and former Contra leader, has been insisting on age from the US Congress, and have recently begun stepping up their actions inside Nicaragua, despite protests from the opposition parties and Mr Cesar himself that further miliof 14 opposition parties that last week formally announced tary activity will undermine the electoral process. The demobilisation of the

Contras is expected to be the main theme of the next regional summit, at Tela in Honduras early next month.

naval exectse was being held. This is the third incident since April involving Soviet unclear submarines off Norway. In April a Mike class

western countries

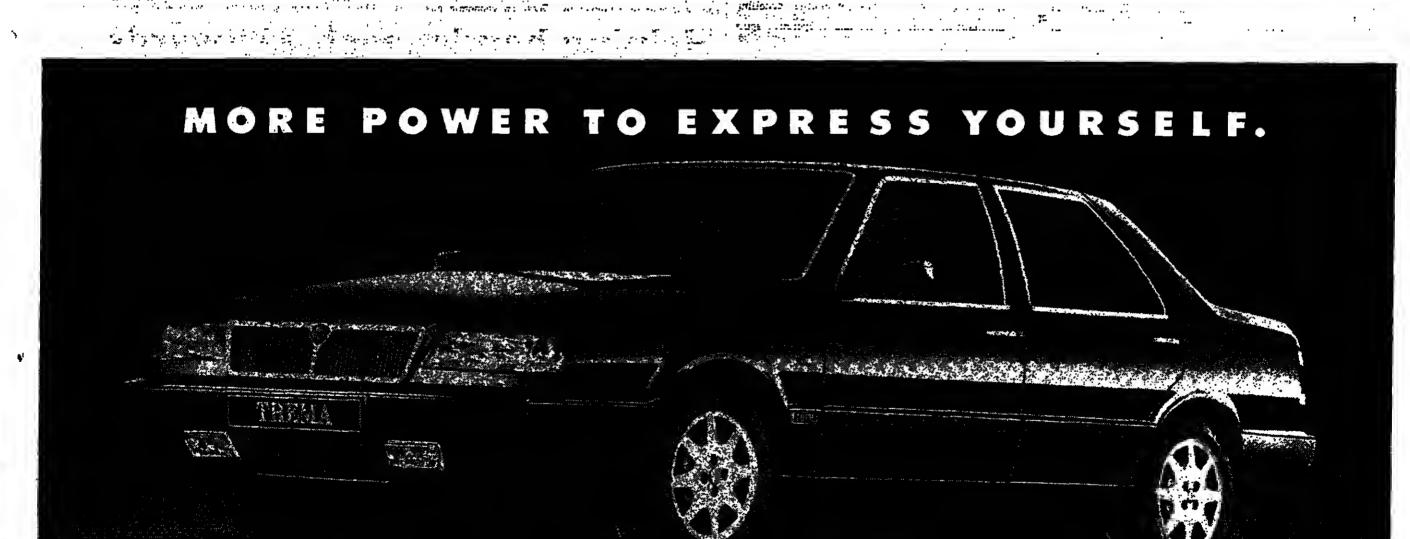
around the air space or waters of either country. The Norwegians said their proposal would be similar to existing agreements between the Soviet Union and five other



"aggression and interference" in Afghanistan, Reuter reports from Kabul. He accused Pakistan of being behind recent rocket and bomb attacks in Kabul and urged the US to rein back its ally, In a message to Mr Bush, the Afghan leader said: "The situation in and around Afchan-

istan has become critical. He accused Pakistan of col-iuding with Moslem guerrillas to launch terrorist attacks on

11 1967. The magistrate, Dr Paolo Arbasino, concluded that Mr Friedman had "correctly exer-cised the right of reporting". Flat denied the account in the article - "Telit saga offers a glimpse of the Byzantine world of politics" - of a meet-ing hotmason Mr Gianni Agneti ing between Mr Gianni Agnelli, chairman of the company, and Mr Ciriaco De Mita, then secretary of the Christian Democrat legitimate that the person tion of the facts shown.



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# **OVERSEAS NEWS**

## **Peking dismisses** Campaign over editor of Hong **S** African Kong newspaper debt By Michael Holman

By Michael Marray in Hong Knng

PEKING'S clampdown on the media spread to Hong Kong over the weekend, as the edi-tor in-chief of a traditionally pro-communist newspaper was dismissed after a row abont

editorial policy. Mr Lee Tze-Chung was sacked by an official of the Xinhua news agency, Peking's Ainnua news agency, reking's de facto embassy in Hong Kong, which controls appoint-ments to the board of the Wen Wei Po newspaper on behalf of the major shareholder, a news-paper in Shanghai. Under the leadership of Mr Lee, a veteran Hong Kong journalist who supported Mao Zedong through the pages of the newspaper during the cultural revolution, Wen Wei Po ran articles in support of the students during May, and after June 4 bitterly denounced the suppression of the democracy movement. Othar left-wing newspapers

in Hong Kong, notably the Ta Kung Pao, have since returned to positions eupportive of Peking, but with Mr Lee in control the Wen Wei Po, which with a circulation of around 100,000 daily is a small but influential local newspaper, has continued to criticise the

regime severely. Matters came to a head at the end of last week, when Mr Lee himself dismissed Mr Chen Bojian, a deputy director of the Wen Wei Po and a former have been told the sale of for-senior Xinhua official, after a eign news publications will be row about the contents of the banned indefinitely.

# Africa Editor paper. Xinhua officials then intervened, calling the dis-missal illegal, and themselves sacked Mr Lee.

THE African National Congress (ANC) and represen-tatives of anti-apartheid groups from Europe and the US met in The wave of support from the Hong Kong people for the students in China, both during London at the weekend to pre-pare an international cam-paign to oppose efforts by Sonth Africa to reschedule ths period of heady optimism of May, and after June 4 as revulsion set in at the bloody \$7.5bn owed to foreign com-mercial banks. crackdown on dissent, saw the Chinese Communist Party first of its kind, is expected to draw np proposals ranging come under fire from many old allies in Hong Kong. During one march, people cheered loudly as staff of the Ta Kung from threatening consumer boycotts of banks which agree to reschedule, to lobbying the Pao waved pro-student banners from their office building,

US congress and putting the issne on the agenda at the Commonwealth conference while one Xinhua amployee, who has since fled to the UK, publicly denounced the Peking next October. Delegates believe that with-out sncb a campaign, a egime at a mass rally. Peking officials have prom-

rescheduling agreement could be in place by the end of this year. They argus that the recent visit to Europe by Mr F W de Klerk, South Africa's ised there will be no retaliation ised there will be no retanation against local people or Hong Kong-based sympathisers who took part in the pro-democracy demonstrations. In a speech in Hong Kong 10 days ago, Mr Xu Jiatun, director of the Hong Kong branch of Xinhua, said many Hong Kong compatricits president-in-waiting, and increased speculation about the release of Mr Nelson Manmany Hong Kong compations had expressed opinions with good intentions, but had at times misunderstood the situ-ation because they did not dela, are part of Pretoria'e efforts to improve its standing abroad, and thus improve the prospects for a favourable rescheduling, rather than the prelude to fundamental politiknow the full facts. • In Peking, officials seized cal change at home.

South Africa'e external debt all foreign newspapers and South Africa'e external debt difficulties go back to mid-1985, when the country'e political crisis prompted foreign banks to call in the \$14bn outstanding loans. An estimated 260 banks were affected, with 30 banks accounting for 70 per cent of the debt magazines. in raids on news-stands and hotels. Shopkeeper the debt

Sonth Africa negotiated two interim rescheduling agree-ments in 1986 and 1987. The latter expires in June 1990, and in recent months Pretoria has

been etspping np efforts to renegotiate its debts on as

favourable terms as possible. One important feature of the second interim agreement was tha so-called "exit clause", under which short-term debt covered by the standstill can be converted into 10-year loans, which become due for repayment between 1993 and

1997 Banks have so far exchanged some \$3.5hn of loans for special exit securities, almost 25 per cent of the debt falling within

the interim arrangements. But at least \$7.5bn of South African debt has to be renego-tiated by mid-1990. The ANC campaign is expected to urge banks to call for repayment as it falls due, to refuse new loans to South Africa, and to make no further use of the "exit

# Anthony Robinson on the changing climate of S African politics half of Afrikanerdom no longer supports it, and the "post-apartheid" generation, led by Mr F W de Klerk, which now leads it has given up the dream of permanent white domina-

Blacks unconvinced by 'negotiation'

K EGOTIATION has sud-denly becoms the buzz-word of South African politics - and the con-fusion, verging on panic on the extremes of left and right of ths political spectrum, is a wonder to behold. The initial reaction of the so-called black "mass demo-cratic movement" to the recent historic Tuynhuys meeting Its naw slogan is "power

sharing without domination". The trouble is that many of those who run the black trade historic Tuynhuys meeting between President P W Botha and Mr Nelson Mandela was fear that the ageing black nationalist leader had been unions, the black community organisstions, the churches and the other organisations of the "mass democratic move-ment" simply do not believe in the sincerity of the National Party conversion. As the Rev Frank Chikane,

nationalist leader had been manipulated by the cunning Nationalist govsrnment. Right-wing whites screamed betrayal of the white man. Given the country's violent and tragic history, the stunned reaction to the sudden prospect of a new era of negotiation pol-itics could hardly be otherwise general secretary of the South African Council of Churches, told the annual conference of the Cosatu trade union federa-tion last week: "Fundamen-tally they [the government] itics could hardly be otherwise, especially to those whose entire experience has been in have no intention of changing their policies. Their strategy for negotiating peace is to exchange one form of apartthe politics of protest.

For nearly 50 years succes sive leaders of the African heid for another National Congress pleaded humbly and in vain for white politicians to heed their Such words fell on receptive ears. Over the last five years nearly 5,000 blacks have died prayers and redress the suffer-ing and humiliation of the In political violence. More than 30,000 have been detained under the annually unenfranchised black majority. In 1960 the government of Dr Hendrik Verwoerd, the archrenewed stats of emergency laws, accompanied by the effecpriest of grand apartheid, bantiva banning of dozens of black ned the ANC and its rival Pan political organisations and African Congress, in the wake of the Sharpeville police massevere restrictions on press freedom and other civil libersacre of peaceful protestors against the pass laws. In despair as much as anger the Today all but a handful of the 30,000 detainees are now back in circulation, despite government fears of a "revolu-tionary climate" hubbling just under the surface. The press "young turks" of the tima, men like Nelson Mandela, Oliver Tambo and Walter Sisulu, fied abroad to pick up the rudi-ments of guerrilla warfare. They sought foreign support, obtained arms from those willunder the surface. The press has learnt to live with the curbs and is still infinitely more outspoken than in the ing to oblige - mainly the Soviet bloc - and returned to neighbouring black one-party

prepare an armed struggle to topple the white regime. The National Party which held power in 1960 is still in charge today - even though

maintaining a lower profile in tha townships and around 70 per cent of white voters are likely to endorse an attempt to



**Rev Frank Chikane: 'apartheid** will continue

get black white power-sharing negotiations off the ground after the September 6 elections. Provided the Namibian inde-pendence and Angolan peace

processes remain on trac ck foreign governments, including several African governments, are likely to cheer on such

negotiations from afar. The unprecedented meeting between President Botha and Mr Mandela has suddenly mada the prospect of such talks more tangible and more immediate.

Such a meeting has been urged for years by people like Mrs Helen Suzman, the veteran civil rights campaigner, who leaders to manage the inevita-ble fears and tensions which The unanswered question at this stage is whether Mr Man-dela, a historic leader of the ANC, a prince of the pre-coloargued that the government should release and negotiate with men of the older genera-tion. These are likely to be ANC, a printer of the pre-con-nial black aristocracy, and jailed symbol of defiance for 27 years, is ready and able to take over such a leadership respon-sibility on his now virtually inevitable release after tha wiser and more moderate than the new generation of town-ship "young lions" hardened by repression and township violence, many of whom are only half-educated after years of inferior "Bantu education".

And if he does, will he be able to impose his will on those of the "mass democratic move-After 27 years in jail Mr Mandela's current views are a mystery. But his willingness to meet Mr Botha and publicly ment" who still want a revolutionary solution?

attacks are commit himself to working for a psaceful solution to Sonth Africa's problems appears to strengthen the hand of those who argue that Mr Mandelar could play a crucial role in the key initial stages of negotia-tion, by coming out of jail and issuing the sort of call for caim and reconciliation which trans-formed Mr Jomo Kenyatta, the late Kenyan leader, from the white settlers' bogeyman to national hero. stepped up By Lara Marlowe In West Beirut NINE more Lebancse people died in shelling during the four-day holiday for the Mos-lem Feast of the Sacrifice, the Eid al-Adha, in Betrut. national hero.

polarised society. The potential for violence is

will accompany negotiations.

**Belgium** and

service.

elections.

The deaths bring the total casualties since Gen Michel Aoun began his "war of libera-tion" in March to 418 dead and 1,673 wounded. The tronble is that an The tronble is that an orderly, negotiated transition towards a non-racial, multi-party, democratic society with a mixed sconomy is viewed with suspicion if not horror by many on the far right and left of Sonth Africa's poloried coriety Police in Beirut estimated

Nine killed

in Beirut as

Police in Beirut estimated that 1,500 shells were fired during the night from Satur-day to Sunday. The barrage, the most intense in two months, began when Syrian artillery fired on two ships trying to enter the Christian port of Byblos. Diplomats had expected Gen Aoun to step np hostilities during the Gronp of Seven summit meeting in Parls, which ended yesterday, in an effort to draw world attention back to Lebanon.

considerable. On the one hand, the black "young lions" are ltching for a violent, revolutionary seizure of power. On the other are the armed racist fanatics of the Afrikaner Weerstandsbeweging (AWB) and their secret supporters in the security forces and the civil back to Lebanon.

However, the only allusion to Lebanon during the summit was an appeal for the release of all hostages. Past experience has shown it is not difficult to spark off township riots or raise tension by their bloody repression. It will require strong leadership by responsible black and white

of all hostages. Meanwhile, the Electricité dn Lihan company ran out of fuel to generate electricity and operate water pumping sta-tions in Beirut, Many homes in the west of the city have been withont electricity or water since the middle of last week and the shortage is expected to last until the scheduled arrival of a tanker on July 20. Gen Aonn is reported to have received two new 175nm artil-

received two new 175mm artil-lery batteries. The arrival of the weapons, which have a range of up to 20 miles, could intensify the artillery battles between Gen Aoun's forces and the Syrian army. Mr Lakh-dar Ibrahimi, the assistant sec-retary-general of the Arab League who is trying to bring about a settlement in Lebanon. is emected to return to Beivut is expected to return to Beirut later in the week.

## Sudanese regime threatens banks

Sudan's new military ruler, General Omar Hassan al-Bashir, has vowed to prosecute some Islamic banks for finan-cial wrongdoing in an appar-ent attempt to distance him-self from Moslem fundamentalists, Reuter

reports from Khartoum. Gen Bashi, quoted yesterday by the armed forces newspaper, said corruption had pre-vented criminal charges being brought agalust banks under a

former African colony, kenter reports from Brussels. "We can anvisage a total normalisation of our relations, a new boost to our co-opera-tion," Mr Mark Eyskens, the Foreign Minister, stated. Mr Eyskens said that under a deal accord in Paris on Satur. a deal agreed in Paris on Saturday, Belgium would wipe out a probe launched in 1985. state-to-state debt worth

remaining two-thirds of this

commarcial debt, in its own

Security forces sweep Mogadishu after clashes

SOMALI security forces have been rounding up people in Mogadishu, the capital, in the two days since clashes with Moslem worshipers left 23 dead, residents said yesterday, AP reports from Natrobi.

The Government appeared to be using the security forces to prevent a repeat of Friday's violence when Somali police say 23 people were killed and 59 were wounded, according to residents interviewed by telephone.

The residents, who spoke on condition they were not identi-fied, said they did not know how many people had been

picked np, who or why. Mogadishu, with the excep-tion of the detentions, had returned to normal yesterday, a working day in the Moslem nation, they said. None of them reported hearing the occa-

It was unclear why the reli-gious leaders were detained or whether there was any connection between their arrests, Fri-day's violance and last Sunday's violate and last sair day's accassination of Mogadishn's Roman Catholic Bishop Salvatore Pietro Col-ombo, the residents said.

The Government has said repeatedly the fighting was started by "troublemakers hid-ing behind the banner of religion" and the security forces tried to contain the situation peacefully. The Ministry of

Interior said the troops only opened fire after being attacked by protesters wialding sticks, stones and knives. Somali President Mohamed

Siad Barre offered his condolences to the relatives of those who died and said "things were back to normal." In his brief address over

# Fears over Mandela's role

alternative power structures

which emerged during the 1984/86 township revolt, but were smashed by the state of

emergency and mass deten-tions without trial.

**Curfew on western Sri Lanka** 

Meanwhile It remained

The police and army are

# By Anthony Rebinson In Johannesburg

THE fears of radical blacks Congress of South African that their authority could be undermined following the expected release later this year of Mr Nelson Mandela surfaced over the weekend. Trade Unions (Cosatu). The 1,900 delegates, from

unions representing over 1m workers, publicly defied a government ban on political activ-ity by their call both for the week of protest and the revitalisation of "people's power."

gency. These were among the most important resolutions Mr Mandela to meet black approved over the weekend by

the annual conference of the leaders at an extraordinary re-

Leaders of South Africa's biggest black trade union fed-eration Cosatu defined the jailed black nationalist leader's Describing itself as "an inte-gral part of the mass demo-cratic movement". Cosatu lauded "the spirit of defiance future role as "part of a leader-ship collective which had to be wholly involved in whatever negotiation takes place."

accompanied by a call to work-

ers to take part in a week-long protest against the September

general elections, and to re-

build the "alternative struc-turee of people's power" destroyed by the state of emer-

and mood of resistance" of the working class. It urged recon-struction of the street commit-This apparent attempt to limit in advance the political autonomy of Mr Mandela was tees, people's courts and other

his prison bungalow at Paarl'e Victor Verster Prison on Tues-Zaire after a nine-month row,

the prison department as guests at a function ostensibly to celebrate both his 71st birthday and the correspondence course law degree he has obtained from the University of

first opportunity in 27 years to discuss policies and tactics with both his old comrades from the Rivonia treason trial

of 1964, and current leaders of

the black opposition. It is understood that ona

option now being debated within ANC circles is the possi-

bility of reconstituting a legal

internal wing of the ANC, pledged to political non-violent means. without a formal

renunciation of the armed

struggle by the banned exter-nal wing of the movement.

Zaire patch up quarrel union planned to take place in BELGIUM said yesterday it had normalised relations with

Mr Mandela is understood to have given a list of 50 names to and announced details of a new debt relief package for its former African colony, Benter

Sonth Africa (UNISA). It would he Mr Mandela's

onal gunfire that continued

into the early hours yesterday. They did not know whether a dusk to-dawn curfew imposed Friday and Saturday would

continue. Residents said the security forces were waiting outside the mosque when prayers ended and it appeared they were there to forestall demonstrations against the arrest on Thursday of several Moslem religious leaders.

ALGERIA has freed 14 Islamic

fundamentalists convicted in

1987 of attacks against the

state, a human rights activist said yesterday, Reuter reports

Milond Ibrahimi, president of

the Algerian Human Rights

League, told Reuters they were

freed by presidential decree on

the occasion of last Thursday's

They were are among about

Moslem Feast of the Sacrifice.

70 Islamic fundamentalists

arrested in 1986 after a pitched

battle with security forces.

from Algiers.

**Islamic fundamentalists freed** 

state radio monitored in Nai-robi, the President appealed for calm and said it was important for the Somali people "to co-op-erate with the security forces in maintaining stability. He also appealed to the secu-

people is unlawful."

carried out.

والأراضي والمستري المستري .....

rity forces "to stop firing at random which could unsettle the people . . sometimes if shots are fired, many people come out to find out what is happening. Shooting at euch

This action, says the ANC, would precipitate a debt crisis for South Africa, and add to pressure for change on Pretoria

provision.

Privately, delegates to the London meeting acknowledge such radical action from the banks is improbable. But they plan to try to make them a target of consumer action.

# Angola resumes peace talks

RIGHT-WING Unita rebeis resumed stalled peace talks with Angola'e Marxist govern-Their leader, Mostapha Bouald was killed during the battle. ment in the Zairean capital The 50 to 60 fundamentalists still in jail were the only pris-oners of a political nature left Kinshasa yesterday, aiming to end their 14-year clvil war, Reuter reports from Kinshasa. Mr Pedro de Castro Van Dunem, the Angolan Foreign Minister, said he hoped the in Algeria, where a new constitution adopted after riots last October guarantees political freedom, the human rights leader said. They were given talks would make peace in Angola a reality. A member of the Unita delegation said: "We mind."

the talks would last.

State radio said six areas in Gampaha district were put under curfew.

Press censorship has been enforced and security forces given powsrs to contain a threat by the People's Liberation Front to overthrow tha government.

The Sunday Times said police found weapons, ammn-nition, cyanide capsules and gelignite at a Colombo hideout

reported to have been used by the killers of two Tamil lead-Public funerals for Mr Appa-

ritial Anirthalingam, leader of the moderate Tamil United Liberation Front (TULF), and his colleagua Mr Vettivelu Yogeewaran will be held in Jaffna today.

A family spokesman said the remains of ths two leaders would be flown to Batticaloa and Trincomalee in the east for Tamils there to pay their respects, before cremation in the evening.

the gunmen.

Family members told a magistrates' inquiry two Liberation Tigers of Tamil Eelam rebels were speaking to the victims when they were shot. The Tigers, holding talks with Sri Lankan ministers on ways to end their separatist rebellion,

Tamils there to pay their paign for an independent cam-respects, before cremation in *bomeland* in the north-east for the evening. Tamils, who form 13 per cent The two were shot dead on of Sri Lanka's 16m people.

Thursday at Mr Amirthalin-

gam's home in Colombo by three gunmen. Guards killed

ing privileged relations with Belgium. Direct flights between Brussels and Kinshasa were affected by the row. Mr Eyskens said the two countries wera expected to agree to restore normal air links. Zairean companies ordered

deny they were involved. TULF led a non-violent cam-

by Kinshasa to quit Belgium would return and any discrimination against Belgian business operations in Zaire would cease, ha said.

BFr5bn (£73m) owed by Zaire. **OAU** seeks action A further BFr5.75bn, representing a third of Zaire's com-mercial daht, would also be cancelled. Zaire would be able on South Africa

African ministers meeting in Ethiopia in advance of the to pay the interest on the annual summit of the Organisation of African Unity are currency, into a fund ear-marked to finance developexpected to seek tougher global action this week to force South Africa to scrap its apartheld policies, Renter reports from Addis Ababa. ment projects in Zaire, Mr Evs-

kens said. The deal, tied up by Prime Minister Wilfried Martens and A five-day meeting of for-eign ministers starting today President Mobntu Sese Seko, ended a diplomatic row which erupted late last year. Angered by Belgian press criticism of President Mobutu's could also renew a four-year-old call for an international conference on Africa's \$230bn foreign debt. The meeting will be followed by the summit wealth, Zaire scrapped two treaties governing post-colonial ties and announced it was end-

from July 24-26.

**Briton loses appeal** for clemency

A Briton has lost his last

A Briton has lost his last appeal and faces hanging on a charge of drug smuggiing, his lawyer said yesterday, AP reports from Kuala Lumpur. The Penang State's pardon board has rejected the appeal for clemency by Derrick Greg-ory, a 39-year-old painter from Middlesex.

# Gandhi's visit accelerates thaw with Pakistan

#### By Christina Lamb in Islamabad

THE new improvement in relations between India and Pakistan has been boosted by Mr Rajiv Gandhi's arrival in Islamabad, the first bilateral visit by an Indian Premier to Pakistan in 30 years.

Both sides are hopeful of an spreement to end the war on Siachen Glacier, the world's highest battlefield, though nei-ther Mr Gandhi nor Ms Benazir Bhutto, his Pakistani counterpart, can afford to be seen as capitulsting.

Both countries attach considerable significance to the trip, Mr Gandhi's second visit in the seven months since Ms Bhutto became Prime Minister of

Pakistan. Senior officials in Pakistan's Foreign Ministry describe it as "an important building block", adding that Ms Bhutto is likely to pay a return visit to Delhi next month. Waiting at the air-port for Mr Gandhi'e arrival. Ms Bhutto told reporters: "We are moving etep by step towards normalising relations but finally we will reach our goal

Relations between the two countries bave been bitter since independence in 1947 and they have fought three wars in 1948, 1964 and 1971. Pakistan

with the military dictatorship". The last Indian prime Minis-ter to pay a visit to Pakistan was Mr Gandhi's grandfather, claims that Moslem-dominated Kashmir, which is now held by India, is part of its territory and since 1984 war has been Jawaharlal Nehru, who came in 1960 to sign the Indus Water raging on the Siachen Glacier in the northern part of Kashmir.

treaty. from Moscow for the one-night stay, during which he will hold talks with Ms Bbutto and the Pakistani President. He was India has accused Pakistan of arming and training Sikh separatists battling for an inde-pendent homsland in Punjab since 1983, while Pakistan alleges that India is sending greeted at the airport by Ms Bhutto and several ministers saboteurs to incite unrest in and given full ceremonial honthe tronbled province of Sind. However since Ms Bhutto

ours and 19-gun salute. Security was tight, Mr Gandhi having sent ahead his own intelligence agents and two bulletnoof Mercedes. He is accompanied by a high-level delegation, including the External Affairs Minister. Although officials on both sides say no immediate break-through is expected, Pakistanis believe that with India's presours and 19-gun salute. took office, the allegations have stopped, and during Mr Gandhi's visit in December to attend a mseting of SAARC (South Asian Association of Bergionel Comparison) association Regional Co-operation), several agreements were signed,

including a pact not to attack each other's nuclear facilities. Mr Gandhi and Ms Bhutto believe that with India's pres-ent hostile relations with their have much in common. They are both young and Wester-nised and children of Prime neighbours to the north and south and elections coming up, Ministers. After the two prime Mr Gandhi may show more flexibility towards Pakistan. ministers met again during the Bastille Day celebrations in

However, neither side can Paris, Mr Gandhi said: "I feel that with Prime Minister Benaafford to be seen as selling out. Many Pakistani army generals are suspicious of Ms Bhutto's zir Bhutto we have for the first time in 11-12 years an opportu-nity to solve our problems. Ws found it very difficult to deal apparent softness towards India, whom they regard as

their main ensmy, and the Pakistani press is full of articles on Indian "hegemony". A Foreign Office spokesman admits: "When all opinion in

our press and parliament and the outside world is critical of India, it is hard for us to be seen as improving relations. They must be the first to compromise." The main item on the

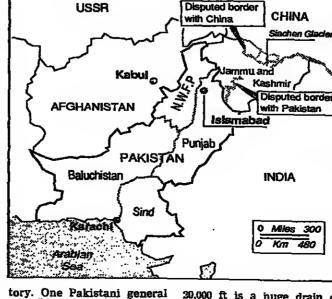
agenda is the dispute over the Siachan Glacier which Ms Bhutto decribes as a "flashpoint" and foreign ministry officials see as a test for the seriousness of Indian intentions.

Past accords over a temporary boundary through Kashmir do not cover its northern-most reaches and in 1964 after maps published in the West started showing Siachen as under Pakistani control, India sent in troops, claiming they were pre-empting a Pakistani offensive which Islsmabad

Pakistan lost 1000sq miles it claims it controlled, and a major offensive in September 1987 to take it back failed with

Both sides agree that the Himalayan area is "not fit for heavy casualties. Ms Bhutto, then opposition leader, lashed out at President Zia for losing Pakistani terrieven dogs to live there" and the war being fought at

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says: "She criticised us for los-ing Siachen – she should get

it back"

20.000 ft is a huge drain on resources. Military commanders meet-

ing last week failed to agree on pulling back troops. But even if no agreement is reached this time, officials are optimistic about the future.

# SHIPPING REPORT Brokers are baffled as Middle East rates fall

By Kevin Brown, Transport Correspondent

BROKERS were baffled last Korea, and NWS 47.5 to the week as rates fell in the Middle East loading area despite a doubling in the volume of very large crude and ultra large car-W/Continent. There was a lot of demand for Red Sea tonnage and sev-eral vassels were fixed from riers being fixed.

Twenty one VLCCe and ULCCs with a carrying capac-ity of 5.6m tons deadweight were reported to have been fixed for eastern and western destinations.

However, rates slipped steadily and by the end of the week ships of 260,000 tons were being fixed at New Worldscale 44 to the Red Sea, NWS 51 to NWS 105.

HOLD HOLD HAGY HOLD
Ras Isa. A ship of 240,000 tons
was fixed at NWS 51 to the
West, and a vessel of 135,000
tons to Trieste at NWS 85.
Brokers said Far Eastern
charterers were in the market
for FF con inche in the mentace
for 55,000-ton clean ships for
August loading, and owners
sague toaung, and owners
were able to obtain NWS 165.
Homese with the stand in the look
However, ships in the prompt
Docition move had a first
position were being fired at

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WORL	D ECONO	MIC INC	CATO	RS .
	N EXCHANG			
US UK W. Germany Jepan Netherlands Italy	May '89 26,234 36,968 50,676 89,262 13,991 37,270	April'89 20,731 39,097 51,384 93,471 13,155 37,233	March'89 20,296 38,771 50,157 92,739 14,437 35,534	May'88 10,912 38,513 65,778 80,736 14,144 24,579
France Belgium	April '89 23,054 9,154	March *89 22,572 8,368	Feb.'89 22,104 7,955	April '88 27,970 7,797
				Source: IM

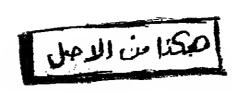


sentences ranging from several years in prison to death, but the death sentences were never

The 14 freed were among those with the lightest sen-

have come with an open The venue was kept secret and it was not known how long

#### SRI LANKAN authorities clamped a 13-hour curfew on six western areas of the island ers yesterday, Reuter reports from Celembo.



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Saturday, July 36th, 1966. The West Germans took to Wembley's turf with grim determination.

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Sadly, one Peters and three Hurst goals later, they were looking at the wrong end of the World Cup.

Consternation. Remedial action was taken on all fronts. Not least by the country's industries.

One motor manufacturer in particular serves as an example. Producing vehicles for commercial folks, its UK operation relies on German efficiency and British Telecom fax machines.

These range from a model capable of faxing up to 199 dealers at one sitting, to less mind-boggling machines in each dealership. They allow potential clients' customised requirements to be checked almost immediately by the engineering department at head office.

The net result is no waiting for the purchaser and, considering the opposition, no contest.

British Telecom faxes could take your business to the top of the league.

A call to the number shown or a fax on 0800 373 303 secures you a free information pack.

For reasons of confidentiality, we can't name the mystery manufacturers. They'd rather keep their success as secret as Alf Ramsey kept his winning formula.

It's you we answer to

British

far' range.	· / · / · / · / · / · / · / · / · / · /
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Company Name	
Company Address	
·····	Postcode

# Notice to the holders of Notes and Coupons comprising U.S.\$ 45,000,000 Floating Rate Subordinated Notes due 1996 issued by

### SPAREKASSEN BIKUBEN

Sparekassen Bikuben has by way of merger transferred the whole of its business together with all of its assets and liabilities to a joint stock company formed for the purpose under the name of

## SPAREKASSEN BIKUBEN A/S

By a First Supplemental Trust Deed dated 27th April 1989 and with the consent of The Law Debenture Trust Corporation p.I.c., Trustee for the holders of Sparekassen Bikuben's U.S. \$45,000,000 Floating Rate Subordinated Notes due 1996 ("the Notes"), SPAREKASSEN BIKUBEN A/S has been substituted as the principal debtor in place of Sparekassen Bikuben under the Trust Deed dated 14th May 1986 constituting the Notes and under the Notes and the related Coupons in place of Sparekassen Bikuben.

The existing Notes and Coupons will not be replaced and will remain valid as obligations of Sparekassen Bikuben A/S. The existing Agent Bank, Principal Paying Agent and Paying Agents will continue in their respective capacities in relation to the Notes and Coupons.

[] Sparekassen Eikuben A/S

8 Silkegade, DK-1113 Copenhagen K, Denmark

# **BR** concessions unlikely to avert rail strike

#### By Charles Leadbeater, Labour Editor

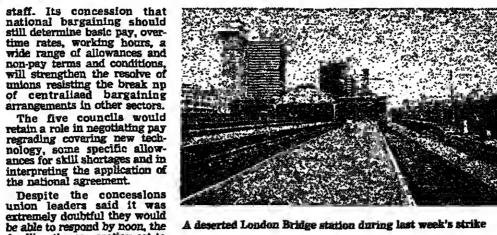
THE 24-hour national rail strike planned from midnight seems likely to go ahead despite significant concessions by Britisb Rail during talks with the rail unions over the preakend weekend.

The national executive of the 70,000 strong National Union of Railwaymen will meet this morning to consider BR's offer to increase its 7 per cent pay award to 8.8 per cent, and to abandon the core of its proposals to break up industry wide collective bargaining. Leaders of Aslef, the 17,500 strong train drivers union,

which has imposed an over-time ban, will also meet this morning. The corporation's retreat is the most significant manage-ment climbdown in the face of a dispute since Ford last year dropped plans for a three-year pay deal to end a two-week strike. morning.

BR has dropped plans for pay to be set by five councils covering different grades of

By Maurice Samuelson



**UK NEWS** 

A deserted London Bridge station during last week's strike

planned November 1 implecall off the overtime ban, mentation of the new machin-ery to be delayed to allow furwhich could take several weeks to organise. tber time for detailed negotiations. Aslef leaders said its execuerations are likely to extend into the evening. This would make it virtually impossible

tive might recommend a memfor BR to run normal services bership ballot on whether to

The coocessions came after Sir Robert Reid, BR's chairman overuled Mr Trevor Toolan, the

overuled Mr Trevor Toolan, the corporation's managing direc-tor of personnel. Mr Toolan, widely regarded as a management bardliner, was responsible for several of the corporation's negotiating ploys which have drawn wide-spread criticism as well as the largely ahandoned plan for decentralised bargaining. The settlement to the dis-nute will be followed by a rig-

pute will be followed by a rigorous management post-mo-tem focusing on industrial relations in the run-up to Sir Robert's retirement in March e Elsewhere leaders of 500,000

• Kisewhere leaters in Southout local authority workers pre-dicted solid support for a three-day strike to start from midnight. Local government services face severe disruption for the third week running in the dispute over pay and the break-up of national bargaining.

secondary action.

Shop stewards, armed with leaflets printed in German,

Dutch and French, visited sev-

to handle cargo. But they are hopeful that they will be able to alert British dockers to

plans to divert cargoes to ports

The union and the National

**Retail sales** figures slip to slower growth path By Ralph Atkins, Economics Staff

BRITISH RETAIL sales returned to a slower growth path last month after rebounding in May, reinforcing govern-ment hopes that high interest rates have curbed consumer

spending. Growth in sales volumes in June was below retailers' expectations and the lowest since February, according to the Confederation of British Industry-Financial Times dis-

Industry-Financial Times dis-tributive trades survey pub-lished today. Further sluggisb growth is expected in July. The results are encouraging news for the Government fol-lowing recent official figures for retail sales and credit have binted that consumers might

nor retail sales and creat have hinted that consumers might have shrugged off high interest rates and boosted spending. Department of Trade and Industry figures for retail sales volumes will be published later

volumes will be published later today. City analysts expect a fall of about 0.5 per cent after a 3 per cent rise in May. The CBI/FT survey shows retail sales growth returning to rates seen in the first four months of the year and well below rates recorded last sum-mer. May's survey showed an unexpected rehound, attributed ards from several ports last week visited Rotterdam in an effort to hold talks with union officials. The Felixstowe dockunexpected rebound, attributed to unseasonally mild weather. Mr Nigel Whittaker, chairers' action raise the prospect of legal moves to prevent illegal man of the survey panel, said:

"Confidence among retailers remains generally low, so it is hardly surprising that expectations for sales growth in July remain depressed."

Stores faring worst in June included retailers of bousebold eral major continental ports last week. They plan next week to contact their counterparts in textiles, furniture, carpets and Do-It-Yourself goods. Out of the 298 retailers ques Scandanavian ports. The stewards do not expect continental dockers to refuse

tioned, 50 per cent said sales in June were higher than the same month a year earlier and 23 per cent said they were lower. For July, 43 per cent expect an increase in sales compared with a year ago and 20 per cent forecast falls.

The survey also shows a slowdown in growth in orders placed with suppliers by retailers. However, wholesalers reported relatively strong growth in sales during June with the increase in sales vol-ume only slightly lower than in May. Consumer credit, Page 10

Barings B.V.

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terday: "We accept that argu-ment" and would seek "a fair BRITISH GAS has agreed to re-examine its industrial price structure following criticism of the way it formulated changes to meet calls by the Monopo-lies and Mergers Commission for non-discrimination in its

contract market. The review will cover com-plaints British Gas received directly from customers and indirectly through Ofgas, the official watchdog body set up after gas privatisation three

and to incorporate any changes in the published schedules as soon as practicable thereafter. One of the criticisms of the present system is that customers whose consumption falls

cienc Mr Chris Brierley, a senior

avoid discrimination between our customers." It also faces calls for multisite companies to be able to aggregate their purchases and for groups of companies and organisations, such as local

deadline the corporation set to

ensure it could run normal ser-

Officials of both unions said

it would take them several

hours to go through the detailed proposals which they

are yet to receive in writing. They may ask for the

vices on Tuesday.

**British Gas agrees to review** 

its industrial price structure

authorities, to strengthen their bargaining power by negotia-ting through recognized consortia. Customers also want greater predictability over cuts in their supplies.

ine these and other proposals coincided with a public plea by Mr James McKinnon, the Ofgas director-general, that it should resolve them quickly and that the agreed changes should be introduced "as soon as practi-

He called for a greater num-ber of price bands for purchas-ers of firm gas supplies and for interruptible customers, whose supplies are liable to be suspended to meet the needs of

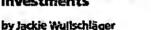
the system. Britisb Gas said it boped to resolve some of the points made by customers, but warned that some "could, on the face of it, create more dis-satisfaction than has been gen-erated by the existing sched-

It said its study would cover

• requests for contracts to be available to consortia of cus-

mum interruption periods; • the length of the transi-tional period for those custom-

> FT Guide to Alternative Investments



illustrated but definitely not a coffee table book, it is



anomalies at the interfaces • terms for interruptible gas such as aggregation and mini-

British Gas's pledge to exam-

and reasonable approach in which we would continue to

· introduction of a load fac-

between price bands and between tariff and contract

to take it.

ers facing large price increases.

Southampton, one of the largest ports formerly covered by the scheme, said that dockers at Felizstowe, which was never covered by the scheme, had refused to unload a vessel

called the Quality which was carrying 250 containers. The Quality's cargo had been

loaded last week in Rotterdam from a larger vessel called the Largs Bay, which normally docks in Southampton.

working normally. Officials of several European unions are expected at the Transport and General Work-The stewards said the Qual-ity had been forced to return to ers Union's London headquarters today for talks with the union's leaders, as the strike the continent because no other enters its second week. British port was large enough

As a result the union's delib-

By Our Labour Editor

DOCKERS striking over their demand for a national agree-ment to replace the National

Dock Labour Scheme last night

claimed their first significant

success in preventing the

diversion of cargo from a strike bound port to one that is

Shop stewards on strike at

working normally.

Striking dockers stop

diversion of cargo

Association of Port Employers believe this week could be cru-The Southampton stewards had been able to warn the Felixstowe dockers of the vescial in deciding the eventual outcome of the dispute. sel's arrival after dockers stew-

six areas of concern: extensions to the schedules to accommodate more premises and higger loads which could be aggregated for the purchase of contract price;

tomers and agents;

years ago. British Gas yesterday said it hoped to reach conclusions on the issues during September

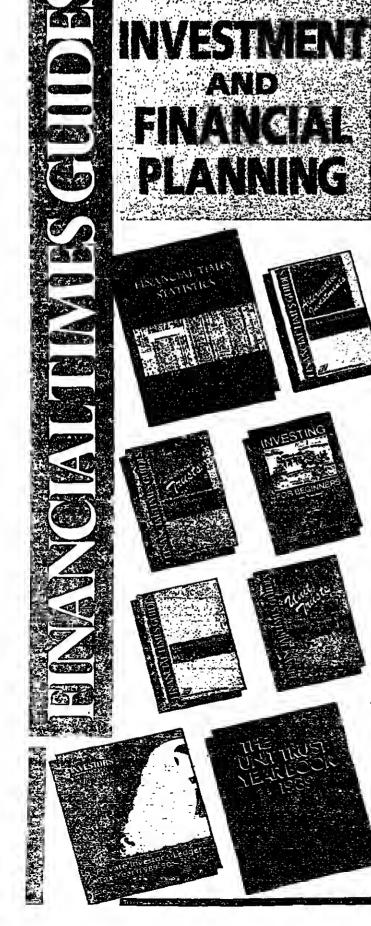
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narrowly short of the next vol-ume/price band have an incentive to burn more in order to pay less and that this defeats calls for greater energy effi-

British Gas director, said yes-

6



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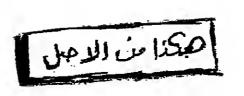
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# **UK NEWS**



#### By Steven Butler

MOBIL, the US oil company, has emerged as the biggest winner in the 11th round of North Sea oil exploration licence awards, according to a report by the Petroleum Services department of James Capel, the London stockbroker.

Coooco, another US company, came a close second in the recently announced round, even though it received significantly fewer net acres of licence awards. That is because the acreage had a higher aver-age quality, according to a sur-vey conducted by Capel, in which 18 oil companies were asked to rate the quality of all licence blocks on offer.

Other big winners in the licence round included Texaco and Chevron, both of the US, British Petroleum, Enterprise Oil, British Gas and Premier Consolidated Oilfields, of the

American companies came out on top overall, getting 46 per cent of tha new acreage. British companies obtained 30.3 per cent. The report said the reason the US dominated the round was that too few British companies were capa-ble of contributing to UK offshore exploration.

Capel estimates that hetween 1hn and 3bn harrels of oil and gas discoveries may be made on the newly awarded acreage, although they would more likely be at the lower end of the range unless a new geological concept leads to the dis-covery of different types of oil reservoirs.

The report says that 79 per cent of the acreage awarded in this round had been under

ACCESS, the Joint Credit Card Company, is to change its name to Signet, in a move aimed at creating a new mar-ket identity, independent of the consortium of six banks that owns it. The Access brand name for credit cards issued by individ-nal banks inside the consor-tium will not he affected licence previously, and relin-quished. "This is a high per-centage, which helps confirm that the great majority of the most prospective areas of the UK continental shalf has already been licensed, and that companies have little choice thesa days but to pick over blocks that have previously been relinquished," the report tium will not he affected. About 14m Access cards are processed annually by JCCC,

whose plants at Southend and Basildon are the largest and most technologically sophisti-Some 90 per cent of the most prospective areas in water depths of less than 200m is now under licence, implying that future licence rounds are likely to have considerably less cated credit card processing operation in Europe. For the first decade and a half, the operation was run as attractive acreage on offer. Nine tenths of the oil and gas found in British waters are in a tight cartel by member banks and included retailer blocks under licence in the network management as well first four rounds. That comes to 99 per cent if acreage is included that was licensed in those rounds and later relinas card issuing and account processing. That ended a year ago when

auished.

member banka - which include National Westminster. Midland, Lloyds, and Royal Bank of Scotland - began to compete with each other The report says that deepwater areas are potentially pro-spective but have so far been little explored, in part because directly in the credit card marof technical difficulties. The report recommends that the ket. At least one of the "Big Four" says privately that it is considering selling its stake in Government should encourage the joint venture. Mr Tony Lee, chief executive of JCCC, has heen working formation of special consortia, with a 10 per cent government participation, to proceed with seismic exploration and experithroughout the year on

mental drilling. The report also recommends restructuring the company'a operations to turn it eventuthat the Government continue ally into a pan-Buropean

the second s

to press the oil companies to explore acreage that has been under licence for long periods without being drilled. A cam-paign by the Government to encourage that has already credit card processor. He said yesterday: "Access is just one of the card schemes we now handle along with Visa, MasterCard, other international systems and retail card plans." Promotion of the Access name will be handled produced results, although much undrilled, unrelin-quished acreage remains. by a separate company.

Multi-disciplinary move on science cash David Fishlock on the idea of merging the research councils to break down barriers

HE CONTROVERSIAL

issue of a wholesale reorganisation of Britain's research councils, the five agencies through which government spends about £800m a year on science in support of higher education, comes before the Advisory Board for the Research Councils when it meets in London tomorrow.

The board, under the chairmanship of Professor Sir David Phillips, the Oxford biophysicist, advises Mr Kenneth Baker, the Educetion Secre-tary, on his department's science budget.

The reorganisation issue was uninvited. The ABRC set a different question when it asked its deputy chairman to report on the way the biological scithat current arrangements for ences are funded.

supporting the biological scl-ences are not sufficiently flexi-The idea came out of propos-als from the House of Lords ble and responsive. select committee on science and technology last year, that two research councils with a biology bias - the Natural Environment Research Council and the Agricultural and Food Research Council - might merge their activities. What the ABRC has been

bluntly told, however, by a form one of six "semi-autono-high-powered, five-strong com-mittee, comprising three of its body called the national members, is that the 23-year research council. The six divi-old structure of the five sions, together with a proposed research councils is out of apportioning of funds, are date. That hecame clear shown in the diagram.

hecause hiological sciences now pervade the activities of four of the five – accounting for 43 per cent of the budget. Mr. Dick Morris, a chemical engineer, once technical direcgeneral would be chief executive and accounting officer, and would most probably be one of the scientific peers.

tor of Courtaolds and now Mr Morris's report takes a chairman of Brown and Root pragmatic view of the struc-(UK), and his committee say ture and influences that cur-



rently prevent better co-ordina-tion of hiological sciences. Not least of those is that the

Ooe view is that with four research councils all funding biological sciences, there is diversity in sources of funding - fail with one, and the scientist tries another. Another view is that it is time-wasting for scientists to have to make

once was largely a descriptive science is now based increas-ingly on fundamental themes and principles, the report says. ft has benefited enormously from advances in other core sciences - chemistry, physics and mathematics - and there is a growing frequency of developments occurring at the

human affairs is also increas-ing - in agriculture, biotechnology, environmental science and medicine, for example, The report says it expects a big increase in the creation of Agricultural and Food Research Council, plus the biotechnology directorate of the Science and Engineering Research Council.

nesearch council. • Physical aciences – formed from the physical and earth sciences of the Natural Environment Research Coun-cil, plus the physical sciences of Sarc of Serc.

• Engineering and technol-ogy - formed from research supported by the engineering

 Supported by the engineering board of Serc.
 Astronomy and nuclear sciences - formed from work supported by Serc biological sciences, and there-fore in the importance of the

The Morris report identifies serious difficulties within the • Economic and social sci-ences - formed from the presresearch councils over the balent Economic and Social Research Council. There is doubt, however, ance of effort between research and training – within biology and between biology and other sciences. It argues that ques-tions such as the supply of bio-

whether the reorganisation will ever happen. Certainly soma - the MRC in particular will contest the loss of autonomy implied by a single body. It was not pleased when Serc set up its blotechnology directorate, entering pastures it considered its exclusive pre-

rectly, for example in funding of life versus physical sciences, and between the responsibiliserve. However, the signs are that, the basic proposition — although uninvited — has been recognised as a serious attempt ties for life sciences of the research councils and of the relevant government departto tackle a real administrative problem. Mr Baker foreshad-owed changes in that direction Sovereign research councils with their own charters are not

in a speech last month. the most effective ways of pro-The most serious objection is simply that the proposed moting "internal cohesion of science", the report says. Logi-cally, there should be a single changes might require new legislation at a time when govern-ment is overburdened. The ABRC may therefore address the issue of whether such a national research council. The following six divisions Medical sciences formed from the Medical reorganisation might be implemented and financed in stages Biology and environmen-tal sciences - formed from the without resorting to primary

legislation.

Job loss rate rises rapidly in clothing and textiles By Alice Rawsthorn

# Soviet officials to visit Hinkley inquiry

#### By David Green

A DELEGATION from the Soviet noclear power industry is due to visit the Hinkley Point C inquiry this week. Officials are calling to find

out more about the UK inquiry system after pressure in the Soviet Union for some form of public consultation over plans for nuclear plants.

They will talk to representatives of the Department of the Environment, the Central Electricity Generating Board and organisations opposed to nuclear power.

The Soviet party will include the chief designer of nuclear power stations, the head of pro-tocol and the deputy head of

the scientific and technical department.

The Soviet party's arrival tomorrow follows last week's visit by Mr Michael Barnes, QC, the Hinkley Point C inquiry inspector, to Cherno-hyl, where in 1986 the world's worst nuclear power station accident occurred. Alliance

THE RATE of job losses in the clothing and textiles industries rose rapidly in the first quarter of this year as companies struggled against increasing imports and sluggish consumer spending. The level of employment in the industries fell by 20,000 to about 483,000 in the year to tha

end of March, according to the latest statistics from the Apparel, Knitting & Textiles Coats Vlyella and Cour-

taulds, the largest players in the industries, have both been forced to resort to substantial factory closure and redundancy programmes. However, difficulties have affected companies of all sizes and some of the smaller ones have gone out

of business. The most vulnerable concerns have been the knitwear manufacturers of the East Midlands and the acrylic spinners, concentrated in Yorkshire, which supply them. For those

Dick Morris: proposes a

As currently constituted, the

unified research body

companies the general down-turn in textiles and clothing has been exacerbated by the trend towards tailored clothing, which has depressed demand for knitwear.

The combination of increas ing imports and weak demand in the domestic market has imposed intense pressure on output. The level of textile production fell by 2 per cent in the first quarter of 1989, compared with the first three months of 1986. Clothing output slipped

by 0.5 per cent over the same period.

interface with engineering.

scientists to meet future demands need to be addressed by all the councils, in conjunc-

tion with industry. It also asks whether bound-aries have been drawn cor-

Last year the industries experienced a dramatic increase in imports, fuelled by the strength of sterling against other currencies. The pound has since fallen to a more competitive level bnt, because of the length of the retail huying cycle, most retailers had aiready placed their orders for the first quarter of the year.

The value of textile and clothing imports rose by 6 per

cent to £1.9bn in the first quar-ter of the year. The impact of increased imports was countered by buoyant exports which rose by 8 per cent to \$906m - hut the trade deficit widened by 4 per cent to £973m.

The trade deficit has contin-ued to grow since the end of tha first quarter. By the end of May it had risen to £1.5bn. Mr Allan Nightingale, chairman of the AKTA, described the situa-tion as very worrying.

wealth by industries based on

research councils have each evolved their own way of working, which tends to maintain barriers between them at a time when the watchword in research is multi-disciplinary.

ments. interfaces between those tradi-tional divisions. The impact of hiology on

are proposed Research Council.

research councils are simply failing to co-operate in bridging to the different councils. In the case of biology, what ing the gaps between them -and the failings go deeper than the hiological sector of science. The Morris report instead proposes that biological and environmental sciences should The new council would replace the ABRC. Its director-

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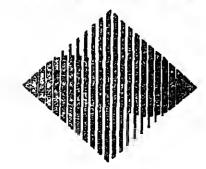
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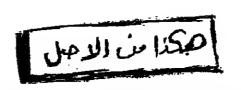
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# I he leaders of the revolution.

Four months ago, Bob Reid, Chairman of Shell UK, had a few words to say about the proposed Training and Enterprise Councils. Quite simply, he thought they might spark off "a second Industrial Revolution."

Well...meet the revolutionaries. Not a bunch of desperadoes, but the leading lights behind some of Britain's most successful companies.

And, as of now, the custodians of the first TECs in England and Wales.

Responsibility for local growth in 19 business communities will be in their hands. Here's what they make of that responsibility:

"Our aim is...to make our TEC the hub of

economic regeneration in the area." NORMAN STOLLER.

"TECs will raise the quality and quantity of training, thus improving industrial competitiveness and increasing the personal satisfaction of the individuals involved." TONY CANN.

"This is great news - an excellent opportunity

for the business community to participate in all the training and enterprise activities in the area." CHRIS SHARP.

"Make no mistake, this is vital to Walsall's future prosperity." JOHN SAYERS.

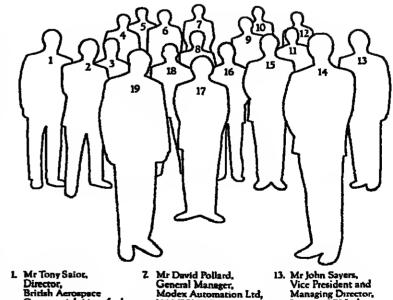
"The pay-off for business and the broader community is potentially very substantial." RICK EMSLIE.

"The Essex TEC has received enthusiastic support from many areas of industry, business, training and education in the county. We must now get on with the job and justify this support." LEON GRICE.

Funding has so far been awarded to TECs in areas as far apart as Cornwall and Tyneside. They represent the most radical development in training and enterprise that this country has ever seen.

They're the first of many.

Join the revolution and find out what's happening in your own business community by contacting your Training Agency Regional Director.



7. Mr David Pollard, General Manager, Modex Automatio HAMPSHIRE, Mr John Sayers, Vice President and Managing Directo Intertan UK Ltd, WALSALL Commercial Aircraft plc, HERTFORDSHIRE. 8. Mr Tony Werton, Director, Unisys Ltd, MILTON KEYNES. 4. Mr Richard Field OBE, Mr Leon Grice, Chairman, J & J Dyson plc, SHEFFIELD. afarge Aluminate mational Ltd. 5. Mr Ray Way, Chairman Mr Chris Sharp, Managing Direct Northern Rock, TYNESIDE Birmingham and Handsworth Dairies Mr Eric Dancer. Managing Director Dartington Crystal DEVON AND CORNWALL BIRMINGHAM. Mr J Brian Heron 0. Mr Tony Cann, Chief Executive, TBA Industrial Products Ltd, ROCHDALE. Chairman, ferminal Display Mr Malvern Goodall, Managing Director, Goodall's Caravans Ltd, CALDERDALE/ KIRKLEES. Systems Ltd, EAST LANCASHIRE 17. Mr Norman Stoller, Chairman, Seton Health Care Group OLDHAM. IL Mr Charles Mitchell heirman and Managing Directo Century Oils Gro NORTH WEST 5. Mr Rick Emslie, Executive Director, VSEL Consortium CUMBRIA. Mr Tom Boot Chairman and Chief MIDLANDS. securiv Refuge Group plc, SOUTH AND EAST 12. Mr Danny Ward, Mr Roger Barne Director, Teesside Works, British Steel CHESHIRE. 9. Mr Peter Alls nd General Mana lessey Radar Ltd. EESSIDE ISLE OF WIGHT.

RAINING SERPA. TEC UNCZ

ARLOYMEN,

# **UK NEWS**

# **Ridley defends his record** amid reshuffle speculation French hits **UK** airports

By Michael Cassell, Political Correspondent

MR Nicholas Ridley yesterday mounted a resolute defence of his record as Environment Sec-retary as speculation mounted at Westminster that he will be moved in the impending minis-terial reshufile.

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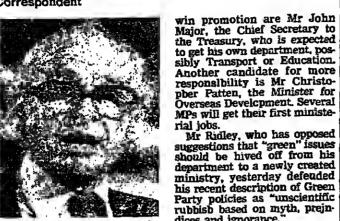
He refused to comment on calls, some from within his own party, for his dismissal, hut outlined a series of mea-sures that he claimed made Britain e leader on environ-mental issues. Mr Ridley described himself as a man of "perhaps not so many words as action

Sir George Young, a former Environment Minister, said Mr Ridley's job required someone of "more conviction and credibility." He suggested he should be moved to the Department of Trade and Industry, a job for which Mr Ridley is heing

widely tipped. After her return from the Paris summit, Mrs Thatcher will today begin the process of planning the reshaping of her Caoinet, an annual event which has taken on added significance, given the Government's low electoral standing. A reshuffle this week was

ruled out by government sources yesterday, and is expected to be announced next week, shortly hefore Parliament rises for the summer

Tomorrow, Mrs Thatcher will have her traditional "end-



Nicholas Ridley: "man not of words but of action"

of-term" meeting with peers, and on Thursday will attend a gathering of the influential 1922 Committee of backbench Tory MPs. Both occasions will help the Prime Minister in deciding the team that will be charged with the task of presenting the Government's case and improving its popularity. It seems very unlikely that any of the three most senior

standards. Cabinet posts, those of Foreign Secretary, Chancellor of the Exchequer or Home Secretary. will change hands. There is some speculation, however, that Lord Young, the Trade and Industry Secretary, will be member states in implementing legislation designed to

Among ministers likely to

# New poll over Democrat name

#### **By Michael Cassell**

THE Social and Liberal Democrats are to ballot dele-gates on whether they wish to reopeo the dehate on the short title of their party at this autumn's conference in Brigh-

The party's conference committee met yesterday aud decided that the issue, which has again resurfaced within the membership and at West-minster, should not he included in the final conference agenda.

The decision was taken after a poll of the membership showed that an overwhelming majority believed a renewed, public controversy over the short title would further damage the party's already low electoral standing. Some MPs have joined calls

eure that the party member-ship would reflect a similar to Liberal Democrats and an emergency motion on the issne view. has been received hy the con-The ballot will close ten days ference committee. The combefore the annual conference. A decision to stage an emer-gency debate on the issue would be embarrassing for Mr mittee will now arrange for a ballot of the delegates before

the start of the conference in order to establish the party's Paddy Ashdown, the party leader, but he is apparently confident that the idea will be Mr Jim Wallace, the Demo-crat chief whip, said yesterday rejected

# Long delays as strike by Battle to put a price on power Max Wilkinson on why the electricity industry may cut asset Max Wilkinson on why the electricity industry may cut asset values

T HE IDEA of executives of multi-hillion-pound companies wandering about the City bad-mouthing their own assets may sound like a banker's bad dream. But then, it is not often that a sov-ereign country tries to sell its citizens a lot of secondhand deht citizens a lot of secondhand power stations.

power stations. It was indeed the men in striped suits who first suggested that the electricity industry should humble its his-toric pride and admit that the smoking towers and cables marching across the country-side are not worth nearly as

side are not worth nearly as much as is given out. In its last report and accounts, for the year 1987-88, the Electricity Council claimed the industry south of Scotland to be worth £37bu, ou a replacement cost basis, a figure that provokes not yery iorial that provokes not very jovial langhter in the army of financial advisers now preparing for the greatest asset sale of them all. Many would give change out of a figure half that size. The valuation of electricity ssets has become much more important and more political than in previous privatisations, because of the Government's

decision to divide the industry horizontally between produc-ers and wholesalers (the two generating companies, National Power and PowerGen, and the 12 distribution companies created from the area

Before the sale of British Telecom and British Gas, it was widely accepted that a nationalised concern would be sold at a substantial discount to its book value, largely because the private sector demands a higher rate of return on capital than the Gov. ernment's target of 5 per cent in real terms for nationalised

industries (raised in April to 8 per cent). The pre-privatisation bsttles in those industries focused more on the burden of customers. In the electricity industry,

however, the capital values assigned to different plant will significantly influence the way in which profits and risks are distributed between the two haives of the industry. Finding a compromise has been particularly difficult

hecanss the ancient feuds between the Central Electricity Generating Board and the area boards was interrupted by only a hrief armistice when the combatants were too disori-ented by the privatisation pro-posals to know how the battle should be resumed. The field now being con-

tested has been clearly marked out as the medium-sized indus-trial and commercial consumers at present coralled by the area hoards, but thought by the generators to be eager to escape into a new world of

direct-sale contracts. The extent to which that is allowed to happen depends largely on the type of coutract between generators and dis-tributors, now under vigorous dispute and awaiting govern-ment arbitration. One of the key elements of these contracts will be the fixed payments made hy distribution companies to cover the capital costs of power stations. Much there-fore depends on the values

assigned to the ass The easiest way to tie up the industry for privatisation would be to shackle the two would be to shackle the two halves of the industry together with tight contracts based on high fixed ("capacity") charges reflecting relatively high asset values. The payment of large capacity charges would give

tion is that the CEGB's present distributors pre-emptive rights valuations are based on the wrong method. Coal-fired plant, for example, is valued in relation to the estimated curover the power stations and thus prevent the generators from detaching their industrial rent cost of huilding its newest

customers. The generating companies, loaded with high-value assets, would, in turn, be less tempted to enter vigorous price-cutting competition in the industrial rent cost of hunding is heves, glant power station, at Drax, near Selby. Bnt some argue that the costs of Drax were excessive even though it was huilt to budget. Others, more pertinently, say that the nation does not need new Draxes when gas tursector. Selling at high prices to distribution companies, which would guard the traditional monopoly, would he hetter business, even if that meant hines would be much cheaper business, even a that mean some power stations were lying idle. This high-price high-asset value worki would also probably appeal more to investors and so yield better proceeds for the Treasury. and more efficient. and more emicient. Then there is the market's way of looking at the asset as equal to the present value of the stream of future net income. On that view, the

nuclear assets could have a negative value compared with he dilemma, for generators, was that that strat-

negative value compared with a book value on replacement cost of £9.2bn. And even though the book value will not be the same as the market's valuation, it is argued that the figures in the processeries must look credible egy would lay them open to poaching from inde-pendent power companies. The industry's average all-in cost for wholesale electricity may prospectus must look credible be about 2.9p per kWh. whereas according to some estimates a new entrant with a to prospective investors. to prospective investors. The discussion has held up the preparation of the report and accounts for the industry in 1988-89, the last year in its present form, hecause miniscombined-cycle gas turbine could make a profit at under 2p per kWh. To protect their mar-ket, the generators would have

ters have been faced with e to lower prices. Once competition hreaks write-down of £4bn to £5bn before they even start to think of a privatisation discount. out, however, there is no knowing where it might stop, partic-Clearly, if the industry is allowed to become competitive very quickly, Industrial elec-tricity prices will fall, and the ularly in an industry with a large amount of overcapscity for most of the year. So the name of the pre-privatisation game rapidly changed, as the generating companies will be worth correspondingly less. But suppose the generators are advisers started to cry: "Travel light: minimise those assets!" Their advice is justified from now only pretending that they want to slag it out in the

two points of view, apart from the commonsense idea that a company privatised with written-down assets will have an sier job making a respectable

counted then? The brightest talents in the Civil Service must soon have the answer. Percentage return. A more technical justifica-Editorial comment, Page 20

industrial market, how much

should their assets he dis-

# **Retail sales growth slackens in June**

## By Ralph Atkins, Economics Staff

THE REBOUND in retail sales growth in May was not maintained last month, according to today's Confederation of British Industry/Financial Times distributive trades survey.

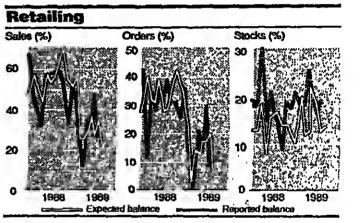
Growth in retail sales vol-umes fell to the slowest rate since February and well below rates recorded last summer, the survey shows. It suggests that high interest rates coutinue to subdue consumer

spending. Sales volumes last mouth failed to meet retailers' expectations, while there was also a slowdown in orders placed with suppliers. Growth for July is also expected to be modest. The results contrast with the

a year earlier and 23 per cent said they were lower. The difference between the two per-centages - which gives the best guide to the trend growth rate - was a balance of 27 per cent.

Thal followed a balance of 48 per cent in May and was con-sistent with halances of between 12 per cent and 35 per cent in the first four months of the year. Last summer, the balance of retailers reporting increased sales compared with a year earlier frequently approached 60 per cent.

Sectors reporting lower sales in June than a year earlier included retailers of household



LOCAL AUTHORITY pension schemes were heavy investors in overseas equities during the in UK equities was just 6 per cent of new money, with UK property accounting for a further 9 per cent. 12 months to March 31 1989,

of 9.3 per ceut over the year, making a real return cn investments of 11-13 per cent. However, local-authority pension funds on average

# his recent description of Green Party policies as "unscientific rubbisb based on myth, prejnbe regained. Managers at Gatwick airdices and ignorance." He said the party had wilport, Britain's busiest airport for charter flights, where thou-sands of holidaymakers were fully exaggerated Britain's environmental ills to win supdelayed over the weekend, are meeting today to discuss using marquees to cope with over-Mr Ridley said that, since he become Environment Secretary more than three years ago, the Government had established

an inspectorate of pollution and introdoced a water hill which had established a national rivers authority to enforce bigh environmental The Government, he added, had also instituted a £1hn

ministry, yesterday defended

clean-up programme for coal-

fired power stations, while Britain was ahead of other EC

improve and maintain drinking water quality.

crowding, the airport said. "We must be prepared for a repetition of the delays next weekend," said the airport company, part of BAA. The airport is prepared to spend £200,000 alleviating the pres-

By Lynton McLain

travel disruption.

INDUSTRIAL ACTION over

pay by French air traffic con-trollers delayed travellers at British airports by an average of between one and six hours yesterday, making it the worst weekend of the summer for traval dispution.

Flights to the Mediterranean

were most seriously affected and some flights were delayed indefinitely. The effects of the disruption are likely to be cumulative, as flight depar-ture times that are lost cannot be required

sure this year, twice as much as it spent in 1987. The airport managers brought in a clown to enter-tain children who had been delayed and a playgroup was being set up at the weekend. The disruption at Manches-ter and Leeds-Bradford air-

boards). ports was exacerbated by the

grounding of five airliners belonging to Hispania, after the company ceased trading in a dispute over payment of

hills. Hispania was Spain's largest privately owned charter airline, based in Palma, Majorca until majority control in the company was bought last year by Fimpar, the Italian tourism

company controlled by the Aga Khan.

Two Hispania aircraft were dne to fly from Manchester to Palma and Tenerife. The 225 passengers, who were to fly to Palma at 9.45am yesterday, were sent home after an eight hour wait, with the promise of an alternative flight at mid-night tomorrow from Man-

chester Airport. At Leeds-Bradford, an Hispania service to Malaga for 135 people was cancelled. A second Hispania aircraft, a Boeing 757, was impounded by the airport anthorities because of the company's outstanding debts

Leeds-Bradford was also affected by the Freoch control-lers' strike. One of the worst delays was one of seven hours on a flight to Reus, Spain.

New check-in procedures

**Councils** invest more overseas

that the parliamentary party last week had expressed its determination that the Brighton gathering should be used for focusing on the main politi-cal issues of the day. He was for a change from Democrats

according to the latest perfor mance analysis from the WM Company, the largest investment performance measurement company in the UK.

By Eric Short, Pensions Correspondent

WM analysed the perfor-mance of 91 local-authority superannuation schemes, with combined assets of £30.8hn, accounting for 95 per cent of all local authority funds.

In the 12 months being measured, the funds had a net cash flow of £1.06bn, of which 63 per cent was invested in overse equities, two thirds in continental Europe and one third in Japan, and 57 per cent was held in cash and other liquid assets. That was offset by a 62 per cent disinvestment in UK gilts and other bonds.

Investment during the year

That investment patlern seems strange, given that many local authorities are Labour-controlled and the general strategy of the Labour Party is that institutious should severely limit their erseas investment and invest in Britain. But a spokesman for WM

said that the main concern of local authorities regarding overseas investment of their pension funds was no investment in South Africa.

Local authority schemes had a good investment year. The average return was 21.9 per cent, dropping to 21.6 per cent if property is excluded. That compared with a 7.8 per

cent rise in the Retail Price Index and an earnings growth

slightly underperformed private-sector schemes, with an average return of 22.7 per cent. But over the long term, local-anthority schemes where showing a superior performance, averaging 19.4 per cent over the past seven years against 18.8 per cent. A better performance on overseas equities and, until recently, an absence of holding in the poorly performing index linked

gilts accounted for the better performance The analysis showed that at the end of March local authority pension schemes held in aggregate 18 per cent of assets overseas equities, compared with jnst 9 per cent seven years ago.

were introduced at Getwick after long queues of passen-gers had developed ou Saturday as flights were delayed. To overcome queueing, passen-gers were not allowed into the departure lounge until their cent and a record increase in credit.

flight had been called. At Gatwick, by 1ste after-noon yesterday there were signs that the situation was improving and there were hopes that few flights should be delayed beyond midnight.

The airport said that French controllers were allowing more flights into the country May was, as expected, only temporary, due to the favoura-hle weather." and that fewer aircraft were late arriving back at base. The French action was

Travel-to-work area

Newcastle upon Tyne

Liverpool

Manchest

Sunderland

Wirral & Chester

Middlesbrough

Botton & Bury

Wigan & SI Helens

Leeds

Hull Bradford

the 298 retailers responding to the survey, 50 per cent said expected to continue until this sales in June were higher than morning.

UNEMPLOYMENT: THE NORTH'S 12 BLACK

SPOTS RANKED BY MALE NUMBERS

Men

50,957

46 584

30,345

19,364 18,182

16.884

16,765

14,536

12,754

12.227

11.443

tiles. Iurniture previous month's survey showhardware, china and do-it-yourself goods. For July, a balance of 23 per cent of retailers expected sales to he higher ing retail sales growth in May approaching rates seen last summer when consumer spending was rising rapidly. Official figures for May showed a month-on-month rise of 3 per than in July last year.

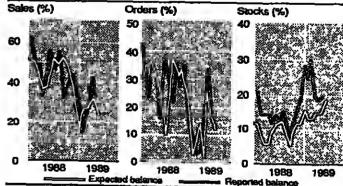
Growth in orders placed by retailers slowed in June by more than expected. A balance of 9 per cent ordered more than Mr Nigel Whittaker, chaira year ago, compared with 30 per cent in May. Stocks were man of the survey panel, said: "The considerable slowdown in built up a little in relation to the annual rate of retail sales expected sales.

Among the 166 wholesalers responding to the survey, a growth reported in June indi-cates that the boost to trade in balance of 42 per cent reported higher sales volumes in June then a year earlier - a faster The survey shows that out of growth rate than expected. The rate of increase was slightly lower than the balance of 46 per cent in May and otherwise the highest since December. Wholesalers of clothing, textiles, footwear and durahle household goods were among those reporting lower sales in June than a year earlier. Orders placed with suppliers by wbolesalers grew at a slower rate in June than May. A halance of 24 per csnt ordered more than a year ago,

compared with a balance of 43 per cent in May. For July, a balance of 27 per cent of retailers expected sales to be higher than the same month a year earlier. The 49 motor traders responding reported depressed sales growth in June.

Wholesaling Sales (%) Orders (%) Stocks (%) 60 30 40 20 20 10 -20 1988 1989 1988 1989 1988 1989 Expected balance **Reported** balance

# **Total Distribution**



# Reality behind the joblessness statistics Ian Hamilton Fazey discovers a mismatch between facts and figures in the north

Male rate

21.8

19.7

16.1

17.7

17.6

17.1

16.4

UNEMPLOYMENT: THE NORTH'S 12 BLACK

SPOTS RANKED BY MALE RATE

HE UK'e latest unem-

ployment rate is 6.3 per cent, according to the monthly figures for June published last week. It was the 35th month in which a fall has been reported and the Government's regional statistics showed only Northern Ireland with e rate in double figures.

The news continued to he greeted with some bewilderment in many of northern England's large towns and cities. Unemployment has been falling everywhere, but the pic ture is nowhere near as com fortable as the national and

regional figures suggest. The north is divided by the Government into three economic regions: the north-west; Yorkshire and Humberside; and the "standard north", which consists of the north-east and Cumbria.

Nearly 14% m people live there - a quarter of the popu-lation of the UK and nearly three times as many as in Scotland. They account for about a quarter of the UK's gross domestic product.

Last week's figures for June gave unemployment rates of 8.8 per cent for the north-west, 7.5 per cent for Yorkshire and Humberside and 9.8 per cent for the standard north. However, analysis of unemployment in the north's 69 travel to-work areas (TTWAs) shows that the overall figures hide a difficult situation in the region's old industrial cities and towns.

Newer industry and jobs are concentrating in the pleasanter parts of the M62 corridor between the M6 in the west and A1 in the east, and around

4 <u>-</u>

Morpeth & Ashington Wirral & Chester 15.1 Barnsley Wigan & SI Helens 15.1 14.7 14,7 Whitby 14.6 the smaller towns of Lancathe smaller towns of Lanca-shire, Cheshire and North Yorkshire. Attractive market towns have special appeal. The result is a large number of black spots in the "smoke-stack" areas of the industrial Two lifting. They are not mark

Sunderland gives a figure of 73,266. That is more than the

7

Travel-to-work area

Rotherham & Mexborough

South Tyneside

Liverpoo

involved.

Hartlepool

Sunderland

Middlesbrough

Ewell (66,800). That is not to say there has heen no improvement; for example, Merseyside's unem-ployed register contained nearly 100,000 names for much revolution. They are not mere "pockets" hut involve whole of the winter. conurbations and millions of people. Indeed, 36 of the 69 TTWAs have a double-figure Where northern unemploy-

Where northern unemploy-ment is universally in single figures is among women. How-ever, no one believes that the figures reflect the true num-hers of johless women who want to work. They represent only women qualified to claim benefit and thus exclude many married momen male nnemployment rate. In the north-east, 11 of 13 TTWAS are in this category. In 21 TTWAs, either male unemploy-ment is over 14 per cent or total numbers of registered job-less exceed 15,000 people. In 12 married women. TTWAs, hoth criteria are

married women. Recent closures, such as that of the Birds Eye food factory in Kirkby, may have little effect on Merseyside's overall rate because most of the women involved will not be entitled to Comparison with, say, Surrey – where unemployment is officially zero – is even more marked when the population of Woking (86,600 in 1987) is comclaim benefit and will therefore not be "unemployed" in the pared with the number of unemployed on Merseyslde official sense, even though several hundred of them will have lost their jobs. (88,723). Aggregating the number of unemployed in the One result of that is that neighbouring TTWAs of New-castle, South Tyneside and

"total" unemployment figures, which aggregate both male and female claimants, look better

number of people living in the Surrey district of Epsom and

An

16.5

14.3

13.9

13.6

13.3 13.6

12.1

11.5

11.5 11.4

10.6

than they are. In one northern region - the standard north - the figures are improved in appearance by the way boundaries are drawn to group the data. Cumbria, where the male, female and total unemployment rates are 6.8 per cent, 5.1 per cent and 6.1 per cent respectively, is lumped with the north-east to produce an overall rate in sin-gle figures for the "standard north." Why that appears strange to many observers is that Cumbria is claimed by the Manchester offices of govern-ment departments for all but

these statistical purposes. Moreover, the detailed unem-Moreover, the detailed inter-ployment figures for the Cum-brian TTWAs are not to be found in the regional statistics published by the Department of Employment office in New-castle, but in those put out by the department in Manchester.

The top sheet from Newcastle - which gives the overall fig-ure for the "north" - incorpo-rates the Cumbrian figures beneficially without showing the source on subsequent pages of data.

The counties of Merseyside, Cleveland and Tyne and Wear remain worst affected. Nomers of registered unemployed claimants on the banks of the Mersey, Tyne, Wear and Tees total around 180,000 people – nearly a third of all the north s jobless. Male unemployment rates - the most accurate range from 14.1 per cent in Newcastle to the 17.6-plus per cent of Middlesbrough, Sunderland, Hartlepool, Liverpool and South Tyneside.

AN

67,833

62,742

40.056

26,576

23.667

23,124

22.574

20,206

17,065 17,375 16,334

15.876

Some business leaders in those areas say that such fig-ures are "manageable" com-pared with three years ago when one in every four men was oot of work, if not more. Moreover, there is a shortage of skills in many areas, includ-ing white-collar sectors. However, matching job needs (unskilled and mannal)

to labour sbortages (skilled and oon-manual) is daunting when so many are involved.

All of that puts reality a long way from the politically com-fortable unemployment rate of 6.3 per cent published last week for the UK as a whole.

THE TREASURY'S argument els relative to income or to per-sonal-sector liquid assets, that increased personal bor-rowing in the 1980s has sharp-ened the cooling effect of high interest rates on consumer spending is placed in doubt by an economic study published at the weekend interest-rate increases have a stronger dampening effect on non-durable expenditure. Our evidence is that these effects have always been small."

By Ralph Atkins

linked to interest rates'

at the weekend. Interest-rate rises have only a small direct impact on spending oo non-durable goods, argue Mr John Muelibauer and Mr Antbony Murphy, of Nuf-field College. Oxford. The kay effects of higb interest rates come via the bousing market -but only after a considerable time. time.

Their study, philished hy Credit Suisse First Boston, the securities house, says econo-mists and policy makers failed to predict the strength of con-sumer spending in the 1980s. An important mistake was to ignore the liberalisation of credit markets.

Looking at the period 1957 to 1958, the authors say: "We can find little support for the Treasury view that, with personalsector debt now at record lev-

## Non-durable outlays 'not **Public** 'is still indifferent to National Savings' **By David Barchard**

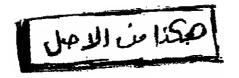
UK SAVERS remain indifferent to National Savings, according to figures published yesterday. They show a net outflow of £229.8m from National Savings during June, after a £232m uet outflow dur-ing May. The role of National Savings - the state-owned savings

have always been small." However, there is a strong link between interest rates and spending on household dura-hlee, such as washing machines and televisions. The study says the impact of "illiquid wealth" such as own-er-occupled housing has risen dramatically since the early 1960s. Although a slowdown in the housing market is appar-ent, it will be some time before the effects feed through. "It will take a substantial fall in the UK's house-price-to-income ratio to bring con-sumer expenditure to a more - the state-owned savings institution traditionally used by the Government to borrow funds from small savers - has been sharply reduced by the

been sharply reduced by the present Government's deht repayment programme and the policy of redeeming savings products when they mature. However, the total balance of funds with National Savings is now £36.75bn - slightly above the level of £36.73bn a year ago. Repayments of capital by National Savings during June were £512m, while interest pay-ments were £132m. New savings reached £414m. The largest withdrawal was

5 ~

sumer expenditure to a more sustainable level. Whether this can be accomplished without a great deal of politically unpo-pular pain and in time to begin the traditional relaxation of redict before the part general The largest withdrawal was from fixed-interest certificates, which fell by £136m, although policy before the next general election must remain in grave doubt." there was a net inflow of 535m into index-linked certificates.



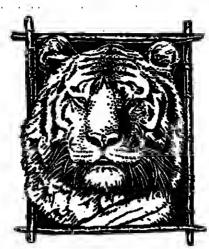
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The State

A copy of this document, which comprises listing particulars in relation to Thornton Asian Emerging Markets Investment Trust plc (the "Company") given in compliance with Section 149 of that Act. pliance with the listing tules made under Section 142 of the Financial Services Act 1986, has been delivered to the Registrar of Companies in accordance

, to be admitted to the Official List. It is expected that the Ordinary Shares and Warrants will be admitted to the Official List, and that deallogs in the Ordinary Share ill commence, on Friday, 28th July, 1989. Application has been made to the Council of The Stock Exchange for all the Ordinary Sh ad Warrants of the Company issued, and now being is

for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the ce with the facts and does not omit anything likely to affect the import of such information. The Directors of the Company (the "Di agers and Advisers", accept 1



# Thornton Asian Emerging Markets Investment Trust plc

Offer for subscription, sponsored by Cazenove & Co., of up to 100,000,000 Ordinary Shares of 10p each (with Warrants attached) at 100p per share payable in full on application

The Offer has been underwritten by Cazenove & Co. to the extent of 74,870,000 Ordinary Shares (with Warrants attached), in respect of all of which firm undertakings to subscribe or procure subscribers have been received by Cazenove & Co. Of these shares Dresdner Bank AG has undertaken to subscribe on behalf of certain of its customers for an aggregate amount of 48,475,000 Ordinary Shares (with Warrants attached) and KEB International Limited, a subsidiary of Korea Exchange Bank, has undertaken to subscribe or procure subscribers for an aggregate amount of 2,270,000 Ordinary Shares (with Warrants attached).

SHARE CAPITAL	L.			
Anthorised		· · ·		Issued and to be issued fully paid
<b>£12,000,000</b>	in Ordinary S	hares of 10p	each	up to £10,000,000
Indebtedness				- Inne and the first had

Offer Statistics (assuming full subscription	r)
Number of Ordinary Shares in issue following the Offer	_ 100,000,000
Number of Warrants in issue following the Offer	20,000,000
Offer Price per Ordinary Share	100p
Estimated net proceeds of the Offer	£96,36 millioo
Estimated net asset value per Ordinary Share	
Note: The estimated net proceeds of the Offer (assuming minin	num subscription

would be £71.8 million and the estimated net asset value per Ordinary Share following the Offer would on this assumption be 95.73p.

The Company's funds will normally be invested in equity and equity related investments which hy their nature will be long term within the context of the life of the Company. Short term performance will not have a high priority in the construction of the portfolio. Where direct iovestmeot is made, the Investment Manager will seek to invest in cotopanies which exhibit good growth potential and which have high calibre management; regular cootact hy the lovestment Manager with the management of these companies will be a high priority. Investment may also be made indirectly through investment funds or limited partnerships; for example, io South Korea, Taiwan and India equity tovestment by foreign lovestors is generally only permitted indirectly through investment funds set np specifically for that purpos

While there are limited opportunities to invest directly in the PRC, it is the blicy of the Directors that the Company should seek opportunities for investment policy of the Directors that the Company should see opportunities are proposing to in businesses which trade with and in the PRC and the Directors are proposing to invest up to 15 per cent. of the Company's funds in a limited partnership ("ChinaVest II-A") which is in the course of being established for this purpose, further details of which are set out below.

It is the policy of the Directors that op to one quarter of the assets of the Company may be invested in interests in limited partnerships (iocluding ChinaVest II-A) or in securities which are not traded on a stock exchange.

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term loans) outstanding, or created but unissued, not any outstanding mortgages, charges, debenitures or other borrowings or indebtedness in the nature of borrdwings; including bank overdiafts, liabilities under accounts or account of borrdwings; leases, hire purchase commitments, guarantees or other material contingent liabilities.

The application list for the Ordinary Shares (with Warrants attached) now being offered for subscription will open at 10.00 a.m. on 21st July, 1989 and may be closed at any time thereafter. The procedure for application and an application form are set out at the end of this document. 

PART I-DEFINITIO	NS
In this document the for meanings except where the c	llowing words and expressions shall bear the following ontext otherwise requires:
Asian-Pacific region"	Asia and Australasia
ChinaVest II-A"	the proposed Delaware limited partnership ChinaVest II-A, L.P., described in this document
"Company" or "TAEMIT"	Thoman Asian Emerging Markets Investment Trus plc
"Directors" or "Board"	the Board of Directors of the Company
"Investment Manager"	Thornton Management (Asia) Limited
Manager"	Thornton Investment Management Limited
"Offer"	the offer for subscription of Ordinary Shares (with Warrants attached) contained in this document
"Offer Price"	100p per Ordinary Share
"Ordinary Shares"	the Ordinary Shares of 10p each of the Company issued and now being issued as described in this document
"PRC"	People's Republic of China
"The Stock Exchange"	The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited
"Thornton Group"	Thornton & Co. Limited and its subsidiaries
"Tiger economics" or "Tigers"	Hong Kong, Singapore, South Korea and Taiwan
"Warrants"	the warrants to subscribe for Ordinary Shares on the terms and subject to the conditions set out in this document

TIMETABLE	
Latest time and date for receipt of applications	10.00 a.m. on Friday, 21st July, 1989
Basis of allocation expected to be announced by	9.00 a.m. on Monday, 24th July, 1989
Renounceable letters of allotment expected to be despatched on	Thursday, 27th July, 1989
Dealings in the Ordinary Shares (with Warrants attached) expected to commence at	9.00 a.m. on Friday, 28th July, 1989
Dealings expected to commence in the Ordinary Shares and the Warrants separately	9.00 a.m. on Tuesday, 22nd August, 1989
Latest time and date for splitting renounceable letters of allotment	- 3.00 p.m. on Tuesday, 22nd August, 1989
Latest time and date for registration of remunciation	3.00 p.m. on Thursday, 24th August, 1989
Despatch of Ordinary Share certificates and Warrant certificates by	Friday, 6th October, 1989

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DIRECTORS, MANAGERS AN	ID ADVISERS
Directors	
and a second	
Richard Chicheley Thornton (Chairma	m) 33 Cavendish Square, London W1M 7HF
John Martin Cobb	No.1 London Bridge, Londoo SE1 9QU
Gerhard Eberstadt	Jörgen-Ponto-Platz 1, 6000 Frankfurt am Main 11, Federal
Ronald Furse	Republic of Germany 30 Old Burlingtoo Street, Londoo W1X 1LB
Geoffrey Andrew Liddell	33 Cavendish Square, Londoo W1M 7HF
Leolin Price, Q.C.	10 Old Square, Lincoln's Inn, London WC2A 3SU
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	People's Republic of China
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Secretary and Registered Office	
Leslie Allan Aitkenhead, F.C.A.	33 Cavendish Square, London W1N 7HF
Sponsor and	Stachhunker
Cazenov 12 Tokenh	
London Ed	
	Livestment Manager
Manager Thornton Investment Management	Thomaton Management (Asia) Limited,
Limited.	United Centre, 10th Floor,
33 Cavendish Square,	95 Queensway, Hong Kong
London W1M 7HF	
Solicitors to the Company	Solicitors to the Sponsor
Stephenson Harwood,	Slaughter and May,
One, St. Paul's Churchyard,	35 Basinghall Street,
London EC4M 8SH	London EC2V 5DB
Custodian and Bankers	Auditors and Reporting Accountants
The Hongkong and Shanghai Banking	Coopers & Lybrand,
Corporation,	Chartered Accountants,
1 Oueen's Road Central.	Plumtree Court.

ion W1M Limited ing OF London EC4A 4HT Registrars The Royal Bank of Scotland pic, The Royal Bank of Scotland plc, Registrar's Department, P.O. Box 435, Owen House. 8 Bankhead Crossway North,

Edinburgh EH11 4BR

## THORNTON ASIAN EMERGING MARKETS INVESTMENT TRUST plc

#### Introduction

Hong Kong

Receiving Bankers

Registrar's Department 29 Gresham Street,

London EC2V 7HIN

TAEMIT is a new investment trust which will invest in specially selected companies in the emerging markets of the Asian-Pacific region. The Directors believe that there exists considerable potential for above-average capital growth in these

The Company will be managed by Thornton Investment Management Limited which will delegate day to-day investment management to Thornton Management (Asia) Limited. Both companies are members of the Thornton Group, which has considerable experience of investment in the Asian-Pacific region. Investment Policy

The investment policy will be to achieve above-average capital growth through investment in the emerging markets of the Asian-Pacific region. These emerging markets include the "Tiger" economies of Hong Kong, Singapore, South Korea and Taiwan, as well as Malaysia, Thailand, the Philippines, Indonesia, the People's Republic of China ("PRC") and India. Although the emphasis will be on these markers, the Company may also invest in other markets in the region including the more developed markets such as that of Japan. Investments in the more developed markets will not, however, normally be expected to exceed 15 per cent. of the Company's portfolio.

It is the Directors' intention that the initial portfolio will have a broad graphical spread within the Asian-Pacific region. The Directors will, however, be free to concentrate investment in particular countries if they believe that it is advantageous so to do.

#### The Asian-Pacific Region

Over the last twenty years the Asian-Pacific region has experienced the world's fastest coonomic growth, which has been accompanied by a rising share of world trade. The Asian-Pacific region, with over one balf of the world's population and a rapidly rising income level, oow ranks with North America, after the EEC, as ooe of the major conomie trading areas of the world.

A number of factors have cootributed to this rapid economic growth. The Directors consider that the pro-husiness attitude of most governments in the region and hard working and competitively priced labour forces in the emerging markets io the region have been among the most significant of these factors. In addition, comparatively high levels of domestic savings in many of the countries in the region have allowed their economies to finance high levels of investment.

Two events which have occurred since the mid 1980's have had a significant impact on the Asian-Pacific region. First, the price of crude oil reduced substantially from over US\$28 per barrel in 1985 to under US\$15 per barrel in 1986. While the price has recently stabilised at around U5\$17-19 per barrel, the fall represented a significant boost for the Asian-Pacific economies which, with few exceptions, are large oil importers. Secondly, the Yen appreciated rapidly from a level of about ¥260 to the US dollar in 1985 to approximately half that level as at 31st May, 1989. The Directors believe that the adverse effect of this appreciation on the competitiveness of Japanese exports has allowed the Tiger economies to make considerable inroads into sectors previously dominated by Japan. This has also led to a relocation of part of Japanese manufacturing capability to other countries in the Asian-Pacific region which enjoy lower manufacturing labour costs. These two events, coupled with a rise in Japanese domestic demand, have created an economic environment within which total exports from countries in the region have grown at an average rate of 17.5 per cent. over the past three years and which should, in the opinion of the Directors, provide the basis for the further long-term economic development of the region.

#### The Tigers

The four Tiger economies of Hong Kong, Singapore, South Korea and Taiwan have achieved average annual growth rates of 8.3 per cent., 5.6 per cent., 10.3 per cent. and 9.3 per cent. respectively over the past five years, placing them among the most vibrant economies in the world. Hong Kong

Following the economic success of Hong Kong in recent years the territory faces competitive pressures as domestic wage levels exceed those prevailing in many other economies in the region. The Special Economic Zones in the PRC adjacent to Hong Kong do, however, provide access to cheap labour and a large and valuable hinterland for companies in the territory. In 1988, a survey by the Hoog Kong Trade Development Companies in the tertitory, at 1988, 2 survey by the 1989 arong a land Development Commission estimated that between 0.85 and 1.2 million people were employed directly and indirectly in the PRC by Hoog Koog manufacturing companies, with a further 0.5 million people employed there io manufacturing or service companies. This compares with a figure of 849,000 representing Hong Kong's domestic manufacturing labour force at the beginning of 1988. This relocation of a data by the DRC has also been force at the beginning of 1988. productive capacity to the PRC has allowed Hong Kong to develop further its traditional role as a trading post and also its emerging role as a financial centre for the PRC. The recent political disturbances in the PRC have created uncertainty and have induced volatility on the Hong Kong stock exchange. The Directors believe that good opportunities for new equity investment have been created by the recent decline in the Hong Kong stockmarket; however, while the current uncertainties remain, they will adopt a cautious attitude towards direct investment in Hong Kong listed securities.

#### Singapore

Since independence, Singapore has enjoyed social and political stability and has developed a sound commercial infrastructure, which is evidenced by the presence of many large multi-national corporations. Whilst the industrial sector of Singapore remains competitive in certain high value-added industries, such as electronics, the Directors believe that the above factors, combined with Singapore's geographical location in relation to the emerging Tigers of Malaysia and Indonesia, will provide the impetus for the continued development and future growth of its commercial and financial sectors.

#### South Korea

South Korea is an example of successful debt-financed economic development. Extensive investment, often financed from abroad, coupled with low labour costs has led to rapid economic growth in heavy industries. The success of this can be seen from the fact that South Korea, having been the world's fourth largest debtor nation in 1985, is expected to emerge as a creditor nation in the early 1990's. The appreciation of the Korean currency against the US dollar over the past two years has reduced import costs, allowed faster development of the domestic economy, but has reduced Korea's price competitiveness. Continued high levels of industrial investment are aimed at keeping heavy and technology based industries competitive while lower value added industries such as testiles and footwear, are being relocated to other value-added industries, such as textiles and footwear, are being relocated to other countries in the Asian-Pacific region where manufacturing costs are lower. The

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stockmarket currently remains closed to direct investment by foreigners. The Korean authorities have announced plans, however, to open the exchange to direct investment, although this is unlikely to occur before 1992. Foreign equity investment is at present permitted only through investment funds authorised for that purpose by the Korean authorities and through certain convertible bonds issued by Korean companies.

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Taiwan

Taiwan's strong trading performance bas enabled it to accumulate the second largest foreign exchange reserves in the world after Japan and bas forced the Government to allow the New Taiwanese dollar to appreciate against the US dollar by approximately S0 per cent. since September 1985. In common with Japan, as Taiwan's corrency bas appreciated overseas investment by Taiwanese businesses has risen substantially with industrialists relocating part of the productive capability of lower value-added industries to other countries in the Asian-Pacific region.

High levels of investment and strong domestic consumption together with several important intrastructure projects are underpinning continued economic growth. The stockmarket remains closed to direct foreign investment but foreign investment may be made indirectly through investment funds authorised by the Taiwanese authorines.

#### The Emerging Tigers

As the four Tigers upgrade their technology levels and move in to higher value-added products and services, the countries of Malaysia, Thailand, the Philippines and Indonesia are attracting from the Tigers and Japan lower value-added industries and are also developing their own industries. A high proportion of the population is employed in the agricultural sector and these countries are still in the early stages of industrialisation. The stockmarkets of all four countries are also in an early stage of development. Malaysia

Following the recession in 1985 induced by the collapse in commodity prices, the Government has fostered the development of the manufacturing sector aided by direct foreign investment. This, coupled with low domestic inflation and a depreciated currency, has left the Malaysian economy more competitive and less exposed to fluctuations in commodity prices.

#### Thailand

Thailand is evolving from a primarily agrarian-based to an industrialised economy. While this industrialisation has to date been based on light industries such as textiles and footwear, new industrial investment in the petrochemical and automotive sectors is broadening the economy. In order to support the increased economic activity large new infrastructure developments are being undertaken. The Philippines

Under President Aquino, the Philippines' economy has recovered strongly from the depressed period towards the end of the Marcos era. The country still suffers, however, from polirical instability, onerons levels of foreign debr and an underdeveloped manufacturing sector, but there is a plentiful supply of cheap labour, foreign investment is increasing and export performance has improved.

#### Indonesia

The commodity-based economy of Indonesia experienced a recession during the mid 1980's similar to that of Malaysia. The particular reliance on petroleum exports and the high level of yen-denominated debt forced the authorities to impose a policy of severe austerity. A far reaching package of reforms aimed at fostering a stronger manufacturing sector and reducing reliance on oil revenues has been adopted. The Sleeping Giants

Confined within centrally planned and closed economies, the vast countries of the PRC and India have in recent years become more open.

People's Republic of China The polinical and social disturbances which have recently occurred in the PRC have hrought into question the extent to which the country's economy, which has experienced an average annual growth rate of approximately 11.4 per cent. over the last 5 years, will be affected. In particular it is difficult to predict at this stage whether

the PRC's economic modernisation programme, introduced eleven years ago, will continue and, if so, whether the programme, together with the PRC's abundance of labour, land and natural resources, will enable the economy to expand at rates similar to those achieved in the last decade.

There are limited opportunities for direct investment hy foreigners in the PRC. There is, however, scope for exposure to the country by investing in husinesses which trade with and in the PRC, including those companies in Hong Kong which have set up manufacturing facilities in the PRC, especially in its southern provinces, or which provide managerial and financial resources to businesses established there. The Directors believe that despite the recent disturbances there are likely to be good opportunities for investment in businesses which made with and in the PRC and are proposing tu invest up to 1S per cent. of the Company's assets in a limited partnership being formed for such purpose, further details of which are set our below in the section entitled "ChinaVest II-A".

#### India

India has recently experienced a sharp acceleration in its industrial production, providing evidence of the effectiveness of recent government reforms. These reforms, however, are at an early stage and the couotry still has major political, social and economic problems to overcome. Ditect investment hy foreigners in the Indian stockmarket is not permitted but indirect investment is possible through approved investment funds.

#### Japan

Application has been made for the Ordinary Shares and Warrams to be admitted to the Official List of The Stock Exchange. In making investments the policy of the Company will be that:

- (i) a reasonable spread of investments will normally be made, any new investment being limited to not more than 15 per cent. of the assets (before deducting borrowed money) of the Company and its subsidiaries at the time it is made, for which purpose any existing holding in the company concerned will be aggregated with a proposed new investment; (ii) the realisation of any investment carried at Directors' valuation amounting to
- S0 per cent. or more of the Company's portfolio will be conditional upon sharebolders' approval; and
- (iü) legal or management control of underlying investments will not be taken by the Company.

The investment policy set out herein will, in accordance with the requirements of The Stock Exchange, be adhered to for at least three years following listing, unless a change is approved by shareholders in general meeting.

Dresdner Bank AG bas undertaken to subscribe ot procure subscribers under the Offer for 48,475,000 Ordinary Shares (with Warrants atrached). It is the intennion of the Directors to apply, as soon as practicable after the Offer, for the Ordinary Shares and Warrants to be listed on the Frankfurt Stock Exchange, although there can be no assurance that such a listing will be granted.

#### Directors

The Directors of the Company, all of whom are non-executive, are as follows: Richard Chicheley Thornton, Chairman, aged 58, is the Chairman of Thornton & Co. Limited. Richard Thornton has specialised in investments in the Asian-Pacific region for more than 20 years with the Thornton Gtoup, G.T. Management and, prior to that, with the Foreign and Colonial Management Group. He has extensive knowledge and experience of international investment markets especially in the Asian-Pacific region.

Inhn Martin Cobb, aged S7, has been a stockbroker with Sheppards for 20 years. He was a director of that company for some time but is now Chairman of its asset management division with responsibility for its private client and pension fund busines

Gerhard Eberstadt, aged SS, is a deputy member of the board of Managing Directors of Dresdner Bank AG, Deputy Chairman of Thoroton & Co. Limited and is a Director of various other companies in the Dresdner Bank Group.

Ronald Furse, aged 68, was formerly a director and Senior Vice-President of Fiduciary International S.A. He currently acts as an investment consultant with particular emphasis on South East Asia.

Geoffrey Andrew Liddell, aged 62, is a retired banker with many years' experience working overseas in developing countries and latterly in Hong Kong and Japan. He now works as a marketing consultant to the Thornton Group, particularly in Asia. Leolin Price, Q.C., aged 65, is a practising London barrister. He is Chairman of the Institute of Child Health and of Child Health Research Investment Trust plc. His practice includes advisory and court work in Hong Kong and Singapore. Zuji Tao, aged 64, is Managing Director of Shanghai Industrial Consultants, a

non-governmental consultancy company. Philip Tose, aged 43, is executive Chairman of Peregrine International Holdings

Limited, the parent company of a financial services group which was founded in 1988. Before that he specialised in the securities markets of the Asian-Pacific region for more than 16 years with the Vickers da Costa Group.

Herbert Wunderlich, aged 48. is a Director of Thornton & Co. Limited and Managing Director of dresdnerbank investment management GmbH, a member of the Dresdner Bank Gtoup.

#### Manager

The Manager of the Company is Thoroton Investment Management Limited. which is a member of the Investment Management Regulatory Organisation (IMRO) and as such is regulated hy IMRO in the conduct of investment husiness.

The Manager is a wholly-owned indirect subsidiary of Thornton & Co. Limited, which is itself a subsidiary of Dresdner Bank AG, the second largest commercial bank in the Federal Republic of Germany. The Thornton Group promotes and manages a range of investment funds, including offshore funds and UK authorised unit trusts, as well as managing individual portfolios of pension and charitable funds and private clients. The Thornton Group's funds under management as at 31st May, 1989 amounted to approximately £ 1.000 million. Under the Management Agreement between the Manager and the Company

the Manager will receive a quarterly fee payable in arrears of 0.375 per cent., equivalent to 1.5 per cent, per annum, (plus VAT) of the net asset value of the Company at the end of the relevant quarter. Where the Company invests in an investment fund, shareholders in the Company will bear not only their proportionate share of the expenses of the Company, including the fees of the Manager and operating expenses, hut will also bear, indirectly, similar expenses of the underlying fund. However, the Management Agreement provides that no management fee will be charged by the Managet in respect of investments in investment funds managed hy members of the Thornton Group or in any other investment funds (other than ChinaVest II-A) to the extent that the aggregate investment in such investment funds (other than ChinaVest II-A and investment funds managed hy members of the Thornton Group) represents 25 per cent. or more of the assets of the Company. The Management Agreement also provides that the fee payable to the Manager will accrue only at the rate of 0.25 pet cent. per annum on the value of the Company's investment in ChinaVest 11-A. Further details of the Management Agreement are set out in paragraph 7 of Part IV.

#### Investment Manager

The Manager, while retaining responsibility for the management of the

# subject to adjustment in certain circumstances. The terms and conditions of the

Warrants, which include provisions for protecting the "time value" of the Warrants in certain circumstances, are set out in Part III of this document.

Application has been made for the Warrants to be admitted to the Official List of The Stock Exchange and application will in due course be made for Ordinary Shares issued upon exercise of Warrants to be admitted to the Official List of The Stock Exchange. Such Ordinary Shares will rank for all dividends or other distributions declared, paid or made hy reference to a record date on or after the relevant exercise date and will otherwise rank part passu with the Ordinary Shares in issue on the relevant exercise date.

Potenrial bolders of the Warrants should note that whilst warrants bave the potential for greater capital appreciation than shares, the market price of warrants is liable to increased volatility and there is a greater risk that they may become valueless. Taxatinn

## The Company

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It is the intention of the Directors to conduct the affairs of the Company so that it satisfies the conditions for approval as an investment trust set out in Section 842 of the Income and Corporation Taxes Act 1988. Such approval is granted retrospectively for each accounting period. The Company will be exempt from UK corpotation tax on capital gains in respect of each accounting period for which such approval is granted.

The income of the Company will be subject to UK corporation tax after relief for allowable expenses and loan interest. Income arising from any overseas investments may be subject to foreign tax at the relevant country's applicable rate. Altbough the Company may be able to claim double taxation relief in respect of any such tax withheld, it may as a result not be able to offset the full amount of any advance corporation tax paid in respect of dividends to shareholders against any remaining maintenant account of the life of the state of the set income withhe for remaining mainstream corporation tax liability, so that the net income available for distribution for any period could be reduced.

Foreign taxes may be levied on capital gains made by the Company and, because such capital gains would not be taxable in the UK, foreign taxes will not be creditable against the Company's liability to mainstream corporation tax or to advance corporation tax and will therefore represent an absolute cost to the Company.

The Directors are advised that under present Hong Kong law and the current practice of the Hong Kong Inland Revenue Department with regard to the application of the relevant legislation, profits tax (currently at the rate of 16% per cent.) is not expected to be assessed in respect of the profits arising from any disposal of the

investments of the Company. The Directors consider that the Company will not be a close company immediately following the Offer. UK resident Shareholders and Warrantholders

Holders may, depending upon their personal circumstances, be liable to taxation in respect of gains arising from the sale or other disposal (including disposal upon a winding-up) of their Ordinary Shares or Warrants.

For the purpose of taxation of capital gains:---

- the cost of acquiring Ordinary Shares and Warrants will be apportioned between **(i)** the Ordinary Shares and Warrants on the basis of their respective values at the date of allotment, which basis should not be significantly different from the rario which the market value of the Ordinary Sbares bears to the market value of the Warrants on the first day on which the Ordinary Shares and Warrants are dealt in separately: details of the appropriate market values will appear in the first report and accounts of the Company, which will be for the period ending 31st December, 1989;
- the Warrants will not constitute "wasting assets" and on a disposal of Warrants (ü) (which includes abandonment) the full cost of those Warrants will be allowed in computing any gain or loss; and
- (iii) a holder of Warrants who exercises the subscription rights conferred by the Warrants will not thereby be treated as disposing of the Warrants, but the cost thereof will be added to the amount paid on exercise of the rights in computing the cost of the new Ordinary Shares acquired upon such exercise,

Individual shareholders will be entitled, in respect of all dividends paid hy the Company, to an associated tax credit equivalent to the advance corporation tax payable hy the Company in respect of such dividends (currently 25/75ths of the amount of such dividend).

#### Nnn-UK resident Shareholders and Warrantholders

Non-UK resident holders will not normally be liable to UK max on capital gains upon a sale or other disposal of their Ordinary Shares or Warrants, although may he subject to foreign taxation in respect of capital gains.

Non-UK resident shareholders are not normally entitled to a repayment from the Inland Revenue of a portion of the tax credit relating to the dividends paid to them; any such ensitlement will depend in general on whether there is a double taxation agreement or convention in force between the UK and their country of residence. Non-UK resident shareholders may also be subject to foreign taxation in respect of dividend income in their country of residence.

UK and non-UK resident investors are referred to paragraph 8 in Part IV of this document for further details of the taxation of dividends and distributions.

The above information is based upon the law and practice currently in force and is subject to changes therein.

force and is subject to changes therein. Patential investors should consult their professional advisers and the potential tax consequences of subscribing for, purchasing, holding or selling Ordinary Shares or Warrants under the laws of their country of citizenship, domicile nr residence. Applications and Dealings

The procedure for application and an Application Form can be found at the tions must be for a minimum of 1,000 Ordinary Shares ment. An (with Warrants attached), or exact multiples thereof, and must be received by post or by hand at The Royal Bank of Scorland plc, Registrar's Department, 29 Gresham Street, London EC2V 7HN by not later than 10.00 a.m. on Friday, 21st July, 1989. It is expected that the basis of allocatinn will be announced by 9.00 a.m. on Mooday, 24th July, 1989 and that fully paid renounceable letters of allotment in respect of the Ordinary Shares (with Warrants attached) will be posted on Thursday, 27th July, 1989. It is expected that dealings in the Ordinary Shares (with Warrants attached) will commence in London at 9.00 a.m. on Friday, 28th July, 1989. Dealings prior to the receipt of letters of allotment will be at the risk of the applicants. A person so dealing must recognise the tisk that an application may not have been accepted to the extent anticipated or at all. Letters of allotment in respect of the Ordinary Shares (with Warrants attached) will be renounceable until 3.00 p.m. on Thursday, 24th August, 1989 and dealings will be in multiples of five Ordinary Shares (with Warrants attached). In the case of renunciation, the letter of allotment (duly completed in accordance with the instructions contained therein) must be lodged with The Royal Bank of Scotland plc, Registrar's Department, 29 Gresham Street, London EC2V 7HN hy 3.00 p.m. on Thursday, 24th August, 1989. After that time the Ordinary Shares and the Warrants will each be registered and transferable separately in any number hy an instrument of transfer. It is expected that dealings in the Ordinary Shares and Warrants separately will commence in London at 9.00 a.m. on Tuesday, 22nd August, 1989. After Thursday, 24th August, 1989 and pending the despatch of definitive certificates (which is expected to take place on or before Friday, 6th October, 1989) transfers of Ordinary Shares and of Warrants will be certified by the Registrars against delivery of the relevant letters of allotment.

Japan has become the driving force behind the economic development of the Asian-Pacific region. In the course of the last four years increased spending on infrastructure projects and the liberalisation of the domestic market, together with the current low interest rates, have transformed Japan from an export-led into a powerful, domestically driven economy. The Directors consider that the growth in Japanese domestic demand is sustainable and that it will continue to support economic development in the rest of the Asian-Pacific region. Special Considerations

#### Investment in a range of companies in the emerging markets involves a greater than normal degree of risk and involves special considerations, including those referred to below, which are not normally associated with investing in listed

companies in the major securities' markets. Many of the companies and investment funds in which the Company will invest will, by reason of the location in which they operate, be particularly exposed to the risk of political change and governmental action. Exchange control, tax and other regulations applicable to, or introduced in, any country in which the Company invests may affect the Company's income and the value and marketability of its investments. The sterling value of the assets of the Company will also be affected favourably or unfavourably hy fluctuations in the exchange rate between the local currency and sterling.

Some of the emerging countries in which the Company will invest have laws and regulations which currently preclude or seriously restrict direct foreign investment in securities of their companies. Indirect foreign investment may, however, be permitted through investment funds which have been specifically authorised for the purpose. Because of the limited number of anthorisations granted in South Korea and Taiwan, bowever, units or shares in most of the investment funds authorised in those countries currently trade at a substantial premium over the value of their underlying assets. There can be no certainty that these premiums will be maintained and it should be appreciated that if the restrictions on direct foreign investment in the relevant country were significantly liberalised (as is foreshadowed in Korea) the premiums might be reduced, eliminated altogether or turned into a discount

Trading volume on emerging country stockmarkets is generally substantially less than on the major stockmarkets. In addition, securities of certain companies in emerging countries tend to be less liquid and more volatile than securities of comparable companies in the developed markets. It may, therefore, be difficult to value and realise not only unquoted investments held by the Company in emerging markets but also quoted investments held in such markets. Companies in emerging countries are not generally subject to accounting, auditing and financial standards, practices and disclosure requirements comparable to those applicable to United Kingdom companies with the result that there may be less public information about a company in an emerging country than about a United Kingdom company. There is also generally less government supervision and regulation of foreign stock exchanges and stockbrokers.

Investment in the Company should be regarded as long term in nature and it should be noted that the market prices of the securities in which the Company invests may be the subject of above average volatility.

#### Structure

The Directors consider that an investment trust is an appropriate vehicle for investing in emerging markets. Although in many cases the share prices of investment trusts have tended historically to trade at a discount to their underlying net asset value, the fixed capital base of an investment trust allows the managers to take a long term view of its investments witbout being forced to acquire or dispose of investments in response to changes in demand for the investment trust's securities. The Directors consider that this is particularly important when investing in emerging markets.

The structure of the Company includes two particular features. First, the Articles of Association contain a provision for the Company to be wound up at some time between 31st March, 1996 and 31st October, 1996 unless shareholders at any time before 31st March, 1996, release the Directors from their obligation to conver the necessary meeting to approve the winding up of the Company. This will allow shareholders a specific opportunity to review, at the relevant time, whether the

Sharehouders a specific opportunity to review, at the relevant time, whether the Company should continue, or be restructured, or wound up. Secondly, under the Offer, Warrants will be issued, in the proportion of one Warrant for every five Ordinary Shares subscribed, which will enrite holders to subscribe, in respect of each Warrant, for one Ordinary Share at 100p at certain periods during the first six years of the life of the Company. A shareholder's initial investment in the Company will therefore be represented by two types of securities which the sharebolder will be able to retain or, after Tuesday, 22nd August 1989, trade separately to suit his individual requirements. Further details of the Warrants are set out in Part III of this document.

It is the intention of the Directors to conduct the affairs of the Company so that it satisfies the conditions for approval as an investment trust set out in Section 842 of the Income and Corporation Taxes Act 1988.

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Company, has delegated its day-to-day investment management functions to Thornton Management (Asia) Limited. The fees and expenses of the Investment

Manager will be discharged by the Manager. The Investment Manager, which is also a subsidiary of Thornton & Co. Limited, is based in Hong Kong and provides investment advice in respect of 27 funds managed by the Thornton Gronp which specialise in the Asian-Pacific region. These include Thoroton Tiger Trust, a UK authorised unit trust which invests in the Far East and Asia, principally in the Tiger economics, and Thoroton Lintle Dragons Fund Limited, a Bermudian mutual fund company which invests in securines of small and medium sized companies in the Far East.

## ChinaVest II-A

The Directors are proposing that the Company should become the sole limited partner in ChinaVest II-A, a Delaware limited partnership which is in the course of being established and through which the Company will commit to invest over a period of approximately five years up to 1S per cent. of the Company's assets. The policy of ChinaVest II-A will be to take advantage of the investment opportunities which flow across the political and economic boundaries of the PRC, Hong Kong and Taiwan and it will invest principally in the securities of unlisted Hong Kong and Taiwanese companies which have significant business involvement in, or trading links with, the PRC. It is intended that ChinaVest II-A should have a life of approximately seven years, to coincide with the planned life of the Company,

The general partner and manager of ChinaVest 11-A will be ChinaVest Partners, a newly formed partnership of five individuals, of whom four are investment managers who specialise in managing and advising on investments connected with the PRC and Taiwan. These five individuals are responsible for the day-to-day management of the investments of ChinaVest N.V. and of TaiwanVest N.V., which are companies incorporated for the purpose of taking advantage of investment opportunities in the PRC and Taiwan respectively. ChinaVest Partners are proposing to establish another limited partnership ("ChinaVest II"), which will generally invest in parallel with ChinaVest II-A. The establishment of ChinaVest II-A is not, however, dependent upon the establishment of ChinaVest II. ChinaVest Partners will receive a management fee equal to 2.75 per cent. per annum of the capital committed by the Company to ChinaVest II-A. In addition, ChinaVest Partners will be entitled to a 20

per cent, share of the net capital gains on investments held by ChinaVest II-A. The terms under which the Company will become a limited partner in ChinaVest II-A are currently being negotiated and there can be no assurance that such negotiations will be successfully concluded.

#### Dividend Policy

It is the policy of the Directors that the Company should pay a dividend each year. Because of the relatively low yield on securities in the markets in which the Company proposes to invest, it is unlikely that the level of dividend will be significant.

received from anderlying investments, shares of profits of associated companies being unavailable for this purpose unless and until distributed to the Company. The distribution of surpluses arising from the realisation of investments is prohibited by the Company's Articles of Association. Dividends will be paid only to the extent that they are covered by income

Dividends will be paid annually in or about June in each year, commencing in 1990. In accordance with the rules applying to the approval of investment trusts for tax purposes, it is the Directors' intention that the Company will retain no more than 15 per cent. of its income from shares and securities in each year.

#### Offer for Subscription

The Company is offering for subscription an aggregate of up to 100 million Ordinary Shares and up to 20 million Warrants in units of S Ordinary Shares and 1 Warrani

Of the Ordinary Shares and Warrants being offered for subscription, 74.87 million Ordinary Shares (with Warrants attached) have been underwritten by Cazenove & Co. and arrangements have been made for these to be subscribed in full

as described further in paragraph 4 of Part IV. Application has been made for the Ordinary Shares and Warrants now being offered for subscription to be admitted to the Official List of The Stock Exchange. The Ordinary Shares will rank for all dividends and other distributions declared, paid or made on the ordinary share capital after the date of this document. Warraut

The first registered bolders of Ordinary Shares will receive one Warrant for or (ii) the date of announcement of the half yearly results of the Company (or if either of such dates is not a business day, the next following husiness day) in either case in any of the years 1990 to 1994 inclusive or on the date 42 days after the date of the Annual General Meeting in 1995 (or if such date is not a husiness day, the next following business day) to subscribe for one Ordinary Share at the price of 100p.

#### PART II

#### Accountants' Report

The following is the text of a report received by the Directors and Cazenove & Co. from Coopers & Lybrand, Chartered Accountants, the auditors of the Company:---

The Directors	Plumtree Court
Thoroton Asian Emerging Markets Investment Trust plc	London EC4A 4HT
and	14th July, 1989
Cazenove & Co.	
Gentlemen.	

We report that Thornton Asian Emerging Markets Investment Trust plc was incorporated on 27th Jannary, 1989. The Company has not yet commenced husiness nor has it made np any accounts or declared, made or paid any dividends. Yours cruly,

Coopers & Lybrand

Chartered Accountants

#### PART III

#### Particulars of the Warrants

#### 1 Subscription Rights

- Subscription Rights

   Subscription Rights
   A registered holder for the time being of a Warrant shall have rights ("Subscription Rights") on each date (a "Subscription Date") failing 42 days after each of (i) the date of the Annual General Meeting of the Company and (ii) the date of announcement of the half-yearly result of the Company (or, if either of such dates is not a business day, the next following business day) in any of the years 1990 to 1994 inclusive and on the date falling 42 days after the date of the Annual General Meeting of the Company in the year falling 42 days after the date of the Annual General Meeting of the Company in the year falling 42 days after the date of the Annual General Meeting of the Company in the year falling 42 days after the date of the Annual General Meeting of the Company in the year falling 42 days after the date of the Annual General Meeting of the Company in the year falling 42 days after the date of the Annual General Meeting of the Company in the year falling 42 days after the date of the Annual General Meeting of the Company in the year falling 42 days after the date is not a business day, the next following business day) ("the Final Subscription Date") to subscribe in cash for one Ordinary Share at 100p ("the Subscription Price"), payable in full on subscription. The nomber and/or nominal amount of shares to be subscripted at the Subscription Rights, in whole or in part, a registered kolder of a Warrant or Warrant must lodge the Warrant certificate or certificates (or such other evidenced by a Warrant must lodge the Warrant certificate or certificates (or such other evidence as the Directors may reasonably require as proof of the ride of the person exercising the Subscription Right) at the office of the registrant of the years 1990 in 1994 inclusive or on or within 28 days prior to the Final Subscription Date having completed the subscription Rights are exercised accompanied by a remirance for the aggregate requirement for the time being applicable. Not earlier than twelve weeks not later than six weeks before each Subscription Date the

(c) Company shall give notice to the holders of the outstanding Warrants reminding them

# of their Subscription Rights.

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Ordinary Shares issued putsuant to the exercise of Subscription Rights will be allotted not bare than 14 days after and with effect from the relevant Subscription Date and certificants in respect of such Ordinary Shares will be issued free of charge and despatched (at the risk of the servors environmentation of the server server in the relevant Subscription Date (d) of the persons entitled thereto) not later than 28 days after the relevant Subscription Date to the person in whose name the Warrants are registered at the date of such exercise (or, if more than one, to one of them which shall be sufficient despatch for all) or (subject as provided by law) to such other persons as may be named in the form of nomination on the reverse of the Warrant. In the event of a holder of Warrants exercising the Subscription Rights confirmed by investigation of the sufficient despatch for all or the person of a holder of Warrant exercising the Subscription Rights conferred by some, but not all, of such Warrants, the Company shall at the same time as the issue of the share certificates issue a new Warrant certificate in the name of the registered holder for any balance of the Warrants with Subscription, Rights remaining

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- exercisable. Ordinary Shares allotted pursuant to the exercise of Subscription Rights will not rank for any dividends or other distributions declared, made or paid on the Ordinary Shares by reference to a record date prior to the relevant Subscription Date but subject thereto will rank in full for all dividends and other distributions declared, made or paid on the Ordinary Shares and otherwise rank *pair passu* in all respects with the Ordinary Shares of the Company in issue at that date provided that on any allotment falling to be made pursuant to paragraphs 3(e) or (f) below the Ordinary Shares so to be allotted shall not rank for any dividend or other distribution declared, made or paid by reference to a record date prior to the date of allotment. (c)
- alvidend or other distribution declared, made or paid by reference to a record date prior to the date of allotment.
  Application shall be made to the Conneil of The Stock Exchange for the Ordinary Shares allotted purstant to any exercise of Scheription Rights to be admitted to the Official List and the Company shall use all reasonable endeavours to obtain such admission not later than 14 days after the relevant Subscription Date.
  If at any time less than 25 per cent of the Watrants originally issued by the Company remain outstanding, the Company shall be entitled on giving not less than 14 days 'notice in writing to the holders of Watrants then outstanding to appoint a trustee who, provided that in his opinion the proceeds of sale after deduction of all coses and expenses incurred by him will exceed the Subscription Price, shall within the period of 14 days following on the terms on which the same could have been exercised on the immediately proceeding Subscription Date (subject m any adjustment pursuant to paragraph 2 below) and sell in the holders of Warrants for the purchase of those Warrants. The cruste any offer available to holders of Warrants for the purchase of those Warrants. The cruster shall distribute proveding Subscription Date (subject m any adjustment pursuant to paragraph 2 below) and sell in the market the Ordinary Shares acquired on such subscription or accept any offer available to holders of Warrants for the purchase of those Warrants. The cruster shall distribute provided that entitlements of the company.
  Within 7 days following the Final Subscription Date the Company. Within 14 days following that date, shall exercise such Subscription Rights as have not been exercised on the terms on which the same could have been exercised on the Final Subscription Date (subject m available to holders of Warrants for the purchase of the Company.
  Within 7 days following the Final Subscription Date the Company. Within 14 days following the terms on which the same
- ሴ) not been exercised on the terms on which the same could have been exercised on the Final Subscription Date and sell the Ordinary Shares acquired on such subscription, provided that in his opinion the proceeds of such sale after deduction of all costs and expenses incurred by him will exceed the Subscription Price, and distribute pro nus the proceeds less the Subscription Price and such other costs and expenses to the persons eatiled thereto within two calendar months of the Final Subscription Date, provided that entitlements of under £2 shall be retained for the benefit of the Company. Subject thereto, all Subscription Rights shall lapse 21 days after the Final Subscription Date.

# 2 Adjustment of Subscription Rights

- Adjustment of Subscription Rights
   (a) After any allocment of fully paid Ordinary Shares by way of capitalisation of profits or reserves to holders of the Ordinary Shares on the register on a date (or by reference to a needed) on or before the Final Subscription Date or upon any sub-division or consolidation of the Ordinary Shares on such date, the number and/or nominal amount of Ordinary Shares to be subscribed on any subsequent exercise of the Subscription Rights will be increased or, as the case may be, reduced in due proportion and the Subscription Price will be adjusted accordingly with effect from the record date for such capitalisation, sub-division or consolidation. The andicors for the time being of the Company (the "Anditors") shall certify in writing the appropriate adjustments and, within 28 days thereof, notice will be sent to each holder of a Warrant together with a new Warrant certificate in respect of the number of Ordinary Shares for which that holder is enrifed to subscribe in consequence of such adjustment. fractional enditements being isported.
- certainate in respect of the number of Ordinary Shares for which that holder is entitled to subscribe in consequence of such adjustment, fractional entitlements being ignored. If, on a date (or by reference to a record date) on or before the Final Subscription Date, the Company makes any offer or invitation (whether by rights issue or otherwise but not being an offer or invitation to which paragraph 3(e) applies) to the holders of the Ordinary Shares, or any offer or invitation (not being an offer to which paragraph 3(f) applies) is made to such holders otherwise than by the Company, then the Company shall, so far as it is able, procure that at the same time the same offer or invitation is made to the then holders of the Warrants at if their Subscription Rights had been exercisells and had been exercised on the day immediately preceding the record date of such biffer or invitation on () holders of the Warrants as if their Subscription Rights had been exercisable and had been exercised on the day immediately preceding the record date of such offer or invitation on the terms (subject to any adjustment pursuant to paragraph 2) on which the same could have been exercised on the last preceding Subscription Date provided that, if the Directors so resolve in the case of any such offer or invitation made by the Company, the Company shall not be required to procure that the same offer or invitation is made to the then holders of the Warrants but the Subscription Price shall be adjusted (i) in the case of an offer of new Ordinary Shares for subscription by way of rights at a price less than the market price at the date of anouncement of the vertex of the offer the walchesting the Subscription new Ordinary Shates for subscripcion by way of rights at a price less than the market price at the date of announcement of the ucuts of the offer, by makiplying the Subscription Price in force immediately before such announcement by a fraction of which the numerator is the number of Ordinary Shares in issue on the date of such announcement plus the number of Ordinary Shares which the aggregate of the announcement plus the total number of ordinary Shares comprised in such tights issue would purchase at such market price and the denominator is the number of Ordinary Shares offered for subscription; and (ii) in any other case, in such manner is the record date for the offer appropriate. Any such adjustment shill become effective as at the record date for the offer or invitation. For the purposes of this proviso "market price" shall mean the average of appropriate. Any such adjustment shall occome enclose as an use investigation or invitation. For the purposes of this proviso "marker price" shall mean the average of for one Ordinary Share for the live consecutive dealing days ending on the business day () immediately preceding the day 00 which the marker price is to be successined. The Company shall give notice to holders of the Warrants within 28 days of any adjustment made pursuant to this sub-paragraph (b) and, if appropriate, despatch new Warrant certificates in the manner described in sub-paragraph 2(a) above.

(b) The Company shall not issue any Ordinary Shares credited as fully paid by way of capitalisation of profits or reserves nor make any such offer as is referred to in paragraph 2(b) above if as a result the Company would on any subsequent exercise of the Subscription Rights be obliged to issue Ordinary Shares at a discount.

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- The Company shall keep available for issue antificient anthorised ber unissued ordinary share capital to tariafy in full all Subscription Rights remaining exercisable.
- The Company shall not make any such offer or invitation as is referred to in paragraph (d) 2(b) above to the Ordinary Shareholders unless: (i) where such offer or invitation tovolves the allotment of relevant securities (as defined

  - where such other or invitation to voices the autometer of relevant scentures (as occurrent to Section 80 of the Companies Act 1985) the Directors shall have anthority for the purposes of the said Section 80 to allot any such securities required in be allotted to the holders of the Warrans in consequence of the Company making the same offer or invitation to the holders of the Warrans in accordance with paragraph 2(b) above;
- $(\tilde{\omega})$ Section 89 of such Act shall have been disapplied to the extent (if any) necessary to enable the Company to make such offer or invitation to the holders of the Warrants and to effect allotment pursuant thereto.
- If at any time an offer or invitation is made by the Company to the holders of the Ordina Shares for the purchase by the Company of any of its Ordinary Shares, the Company shall simultaneously give notice thereof to the holders of the Warrants and each such holder shall be entitled, at any time whilst such offer or invitation is open for acceptance, to exercise his Subscription Rights on the terms on which the ame could have been exercised on the last preceding Subscription Date (subject to any adjustment pursuant to paragraph 2 above) so as to take effect as if he had exercised his rights immediately prior to the record late of such offer or invitation.
- If at any time an offer is made to all holders of Ordinary Shares (or all holders of Ordinary Shares other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued ordinary share capital of the Company and the Company becomes aware that as a result of such offer the right to cast a majority of the vorts which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such persons or companies as aforesaid, the Company shall give notice to the holders of the Wartants of such vesting within 14 days of its becoming to aware, and each such holder shall be entitled, as any time within the period of 60 days immediately following the date of such notice, to exercise his Subscription Rights on the terms on which the same coold have been exercised on the bast preceding Subscription Date (subject to any adjustment pursuant to paragraph 2 abore). Publication of a scheme of arrangement under the Companies Act 1985 providing for the acquisition by any person of the whole or any part of the issued ordinary share capital of the Company shall be deemed to be the making of an offer is make or an effective resolution is passed for winding up the Company (except for the purpose of freconstruction, amalgumation or minimized or scheme of actions anactioned by an If at any time an offer is made to all holders of Ordinary Shares (or all bolders of Ordinary
- If an other for the purposes of this sub-paragraph (1). If an other is made or an effective resolution is passed for winding up the Company (except for the purpose of reconstruction, amalgamation or emitisation on terms tanctioned by an extraordinary resolution of the holders of the Warrants), each holder of a Warrant shall (if, in such winding up and on the basis that all Warrants then unexercised had been exercised in full and the subscription moneys therefor had been received in full by the Company, there would be a surplus available for distribution atmosphere the holders of the Ordinary Shares which, on such basis, would exceed in respect of each Ordinary Share a sum equal to the Subscription Price) be treated as if immediately before the date of such order or resolution his Subscription Rights had been exercised on the last proceeding Subscription Date (subject to any adjustment pursuant to paragraph 2 above), and shall accordingly be entitled in receive out of the assets available in the liquidation pari passa with the holders of the Ordinary Shares such a sum as be would have received had had which he would have become entitled by virtue of such subscription after deducting a sum per Ordinary Share equal to the Subscription Price (subject to any adjustment as aforesaid). Subject to the foregoing all Subscription Price (subject to any adjustment as aforesaid). Subject to the foregoing all Subscription Price (subject to any adjustment as aforesaid). Subject to the foregoing all Subscription Price (subject to any adjustment as aforesaid). Subject to the foregoing all Subscription Price (subject to any adjustment as aforesaid). Subject to the foregoing the Warrants not less than two months' notice thereof and shall not change such due to that there is not, or need not be, an Annual General Meeting in (x) (ው)
- not change such date to that there is not, or need not be, an Annual General Meeting in the calendar year 1995.
- The Company shall not offer or grant any options to subscribe for share capital or rights to convert securities into share capital of the Company except-(1) options to subscribe for or rights of cooversion into shares of the Company at a price
  - or effective price per share convalent to at least 90 per cent. of the average of the middle market quotations ruling (based on The Stock Exchange Daily Official List) on each of the dealing days in the period of 14 days ended on the 14th day prior to the fixing of the terms of the grant of the option or the conversion rights, and (2) in the case of issues of securities for a consideration other than cash.
- Modification of Rights

All or any of the rights for the time being attached to the Warrants may from time to time (whether or not the Company is being wound up) be altered or abrogated with the station of an extraordinary resolution of the holders of the Warrants. All the provisions of the Articles of Association for the time being of the Company as to general meetings shall mutatic mataning as a sply as though the Warrants were a class of shares forming part of the capital of the Company but so that:

- (i) the necessary quorum shall be the holders (present in person or by proxy) emitted to subscribe one-third in nominal amount of the Ordinary Shares attributable to such
- ounstanding Warrants; (ii) every holder of a Warrant (present in person or by proxy) at any soch meeting shall be enrished on a poll to one vote for every Ordinary Share for which he is ensitted to subscribe; (iii) any holder of a Warrant (present in person or by proxy) may demand or join in demanding
- (iv) .at any adjourned meeting those holders of Warrants (present in person or by proxy) shall be a quomum (whatever the number of Warrants held or represented by them). 5 Teamster and Transmission

option or is agreed conditionally or unconditionally to be put under option.

Save as disclosed herein, no material issue of shares (other than to shareholders pro rate to existing holdings) will be made by the Company within one year of the date hereof without the prior approval of shareholders in general meeting. Save as disclosed herein, no commissions, discounts, brokerages or other special terms have Ø

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- been granted by the Company in connection with the issue or sale of any share or loan capital of the Company.
- Save as disclosed in paragraph (f)(ii) above, the provisions of Section 89 of the Act (which, to the extent not disapplied, confer on shareholders rights of pre-emption in respect of the alforment of equity securities which are, or are to be, paid up in cash) apply to the anthorised but unissued shares. Save as aforesaid, no pre-emption rights apply in respect of the Ordinary Shares.
- musry of the Memorandum and Articles of Association of TAEMIT
- The Memorandum of Association of the Company provides that its principal object is to carry on the business of an investment trust company. The objects of the Company are set out in full in Clause 4 of its Memorandum of Association a copy of which is available for inspection at the addresses set out in paragraph 11 below. The Articles of Association of the Company contain provisions, inter alia, to the following (2)
- Ь Rights attaching to the Ordinary Shares
  - (1) (1) Transfer of shares

The Ordinary Shares of the Company are in registered form. The Articles of Association do not provide for bearer shares. Shares may be transferred by instrument of transfer in the asual common form or in any other form approved by the Directory. Instruments of transfer must be signed by or on behalf of the transferrer and, if the relevant shares are partly paid, by or on behalf of the transferre. The Directors may in their discretion, and without assigning any reason therefor, decline in register a transfer of any Ordinary Share which is not fully paid. The Directors may also decline to register a transfer unless the instrument of transfer duly stamped is deposited ar the Company's registered office or such other place as the Directors may appoint accompanied by the certificate for the Ordinary Shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer, the instrument of transfer is in respect of only one class of share; and the instrument of transfer is not in favour of more than four erces.

Voting (iii)

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Subject to any special rights or restrictions as to voting attached to any shares by or in accordance with the Articles of Association, on a show of hands every member holding Ordinary Shares of the Company who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative shall have one vote and on a poll every member present as aforesaid or by proxy shall have one vote for every Ordinary Share held by him. No member shall be entitled to vote at any General Meeting if any call or other sum immediately novable by him in respect of shares in the Company remains panelid or

immediately payable by him in respect of shares in the Company remains anpaid or if a member has been served by the Directors with a Direction Notice in the manner described in the paragraph headed "Restrictions oo Shares", Dividends

Dividends are in be paid to the members according to their rights and interests in the profits. No dividend shall be payable except our of the profits of the Compuny available for dividend under the provisions of the Act nor in excess of the amount recommended by the Directors. Profits arising from the sale and realisation of capital assets will not be available for distribution (as defined in Section 263(3) of the Act) to members. Any dividend unclaimed after a period of twelve years after it became payable may be forfeited by the Directors and after such forfeitore shall revert to the

(iv) Distribution of Assets on Liquidation

Subject to the rights of any shares which may be issued with any special rights or privileges (no such shares currently being in issue), on a winding up aoy surplus assets will be divided between the holders of the Ordinary Shares according to the respective number of Ordinary Shares held by them in accordance with the Articles of Association and the Insolvency Act 1986. On a winding-up, the liquidaror may, with the sanction of an extraordinary resolotion, divide the Company's assets among the members in specie or kind or vest the same io trustees for the benefit of members. Variation of rights

Subject to the provisions of the Act, the holders of any class of shares may, with the ent in writing of the holders of three-fourths of the issued shares of that class or COD consent in writing of the holders of three-fourths of the isolet shales of that class of with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class, consent on behalf of all the holders of shares of the class to the variation or abrogadoo of the rights attaching to shares of that class. To any such separate meeting all the provisions of the Articles of Association as ro general meetings shall mutatis mutandis apply, except that the necessary quorum shall be two persons at least holding or representing by proxy one third in nominal amount of the issued shates of the class (but so that at any adjourned meeting any holder of shares of the class present in person or by proxy shall be a quorum).

(vi) Restrictions on Shares

If a member or any person appearing to be interested in shares in the Company has been duly served with a notice pursuant to Section 212 of the Act and is in default in supplying to the Company the information thereby required within a prescribed period after the service of such notice the Directors may serve on such member or on any such person a notice (a "Direction Notice") in respect of the shares in relation to which the default occurred ("default shares") directing that the normber shall nor be arrited as yets at any energy lawser is the member shall nor be contriled to vote at any general meeting or class meeting of the Company. Where the default shares represent at least 0.25 per cent. of the class of shares concerned the Direction Notice may in addition direct that any dividend or other money which would otherwise be payable on such shares shall be retained by the Company without liability to pay interest and no transfer of any of the shares held by the member shall, ain special circumstances, be registered unless the member is not himself in default in supplying the information requested and the transfer is part only of the member's holding and is accompanied by a certificate given by the member in a form satisfactury to the Directors to the effect that after due and careful enquiry th member is satisfied that no person in default is interested in any shares the subject of the transfer. The prescribed period referred to above means 14 days from the date of service of the notice under Section 212 where the default shares represent 0.25 per cent. of the class of shares concerned and 28 days in all other cases.

- (c) If at any time an offer is made to all the bolders of Ordinary Shares for all holders of Ordinary Shares other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the bilieror) to acquire the whole or any part of the issued ordinary share capital of the Company and the Company becomes aware that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast on a poll at a general uncering of the Company has or will become vested to the offeror and/or such persons or companies as aforesaid, the Subscription Price psyable on any subsequent exercise of the Subscription Rights in accordance with paragraph 3(f) but not otherwise shall be reduced by an amount determined by the Auditors in accordance with
  - the following formula: A = (B+C)-D

A = the reduction in the Subscription Price;

- B = the reduction in the Sancription Files,
   B = the Subscription Price raling immediately before the adjustment;
   C = the average of the mean of the quotations as derived from the Daily Official List of The Stock Exchange for one Warrant for the ren consecutive stock exchange dealing days ending on the stock exchange dealing day immediately preceding the date of ment; and the adjust
- D = the value (as determined by the Auditors) of the consideration per Ordinary Share offered m Ordinary shareholders of the Company by the offeror pursuant to the offer referred to above,
- ided that:
- which that: the Auditors shall be entitled to make such further adjustments to the Subscription Price payable on any subsequent exercise of the Subscription Rights in accombance with paragraph 3(f) as they shall report to be appropriate to take account of the market value of the Wattants (which shall be deemed to be equal to the value provided by calculating "C" in the above formula), having regard, inter alia, to the rime raise of more the state of the subscription of the subscrip ime value of money:
- (ii) the Subscription Price shall not be adjusted so as to cause the Company to be obliged to issue Ordinary Shares at a discount and, if the application of the above formula to issue Uninary Shares at a discount and, if the application of the above formula would, in the absence of this sub-paragraph (ii), have reduced the Subscription Price in below the then par value of an Ordinary Share, the number of Ordinary Shares to be subscribed on any subsequent exercise of the Subscription Rights in accordance with paragraph 3(f) but not other wise shall be adjusted in soch manner as the Auditors shall report to be appropriate in achieve the same economic result for the holders of Warrants as if the Subscription Price had been adjusted without regard to this
- sub-paragraph (ii); and
   (iii) no adjustment shall be made to the Subscription Price where the value of D cacceds the aggregate value of B and C in the above formula.

the aggregate value of B and C in the anove normal. Any such adjustment shall become effective on the date on which the Company becomes, aware that, as a result of such offer, the right to cast a majority of the votes which may ordinarily be cast on a poll at a general inceting of the Company has or will become vested in the offeror and/or such persons or companies as aforesaid. The Company shall give in the offeror and/or such persons or companies as aforesaid. The Com notice to each holder of Warrants within 7 days of any adjustment to notice to each noticer or warrants within / days or any adjustment made pursuant to this sub-paragraph and, if appropriate, despatch new Warrant certificates in the manner described in paragraph 2(a) above. Publication of a scheme of arrangement under the Companies Act 1985 providing for the acquisition by any person of the whole or any part of the issued ordinary share capital of the company shall be deemed to be the making of an offer for the purposes of this sub-paragraph 2(c). If an order is made or an effective resolution is passed for winding-up the Company (encept

- (d) for the purpose of reconstruction, amalgamation or unitiation on terms sanctioned by an estmandinary resolution of the bolders of Warmens), the provisions of paragraph 2(c) shall estrationary resonances of the state of a state of a state of a state of the state dans of such order or resolution.
- Other Provis

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- So long as any Subscription Rights remain exercisable
- The Company shall not (except with the sanction of an extraordinary resolution of the holders of the Warrants)
- holders of the Warrants):
   (i) make any distribution of capital profits or capital reserves (including all surpluses and accretions required to be credited to capital reserve by the Company's Articles of Association) except by means of a capitalisation issue in the form of fully paid Ordinary Shares or issue accurities by way of capitalisation of profits or reserves.
   except fully paid Ordinary Shares issued to the holders of its Ordinary Shares;
- except unity parts offer or invitation as is referred to in paragraph 2(b) above, on or by make any such offer or invitation as is referred to in paragraph 2(b) above, on or by reference to a record date falling within the period of six weeks ending on any Subscription Date: (iii) in any way modify the rights attached to its existing Ordinary Shares as a class (but
- herein shall restrict the right of the Company to increase or to const nothing herein shall restrict the right of the Company to increase of to consolidate or sub-divide its share capital), or steate or issue any new class of equity share capital (as defined in Section 744 of the Companies Act 1985) which carries rights as negative the section of the companies and the section of the sectio (as defined in Section 1947 or the Companies Act 1963) which carnes ingent as regards voting, dividend or return of capital more favourable than those attaching to the Ordinary Shares; (iv) reduce its share capital or any uncalled or unpaid liability in respect of any of its share capital or (except as authorised by Sections 130 to 134 (inclusive) or 170 of the
- Companies Act 1985) any share premium account or capital redemption reserves, amend the provisions of its Articles of Association to permit any distribution
- ament the protocolling reserves (have as permitted under paragraph (a)() above); or make any allotment of fully paid Ordinary Shares by way of capitalisation of profins or reserves unless at the date of such allotment the Directors have authority for the 2506
- (wi) purposes of Section 80 of the Companies Act 1985 to grant the additional rights to subscribe to which the holders of Warrants will by virine of paragraph 2(a) hereof be entitled to consequence of such capitalisation.

- and and will be transferable in whole or subject to pe Park Warrant will be regin (=) : 5(b) in part by instrument of manufer in any usual or common form, or to any other form which may be approved by the Directors.
- (b) .(c)
- which may be approved by the Directors. No transfer of a right to subscribe for a fraction of an Ordinary Share may be effected. Subject as provided to paragraphs 5(a) and 5(b) above, the provisions of the Articles of Association for the time being of the Company relating to the registration, transfer and transmission of Ordinary Shares and the issue of certificates shall materix materials apply to the Watrants. . .
- 6 Purchase of Warrants

The Company may from time to time purchase any Warrants to the market or at any price by tender (available to all holders of Warrants alike), private treaty or otherwise. Any Warrants so purchased shall forthwith be cancelled by the Company, which will not be at liberty to reissue the same.

- 7 General
- (a) The Company will concurrently with the issue of the same to the holders of its Ordinary The company win concentering with the table of a Warrant (or in the case of joint holders to the first-named) a copy of each published annual report and accounts of the Company, together with all documents required by law to be annexed thereto, and copies of all other documents issued by the Company to holders of Ordinary Shares.
- sence by the Company to Bolders of Ordinary Shares. For the purposes of these Particulars, "extraordinary resolution of the bolders of the Warrants" means a resolution proposed at accparate meeting of the bolders of the Warrants duly convened and held and passed by a majority consisting of not less than three-fourths of the votes cast whether on a show of bands or on a poll. For the purposes of these Particulars, "business day" means a day (other than a Saunday) on which banks in London are open for basiness. (ь)
- (c)
- If any of the events referred to in paragraphs 2(b), 3(f) and 3(g) above shall occur prior to the first Subscription Date, the paragraph concerned shall be read and construed in relation to that event as if the words "first Subscription Date" were substituted for the words "last (d)
- preceding Subscription Date". Any determination or adjustment made pursuant to these Particulars by the Auditors shall be made by them as experts and not as arbitrators and any such determination or adjustment made by them shall be final and binding on the Company and each of the holders of the

#### PART IV

#### Additional Information . . . .

#### The Company

- The Company was incorporated in England and Wales with registered number 2340542 on 27th Jamary, 1989 under the Companies Act 1985 (the "Act") as a public limited company with the name Moneyasset public limited company. On 16th June, 1989 the Company's name was changed to Thomston Asian Emerging Markets Investment Trust plc.
  - Shere Capital
- (a) On incorporation the authorised share capital of the Company was £100,000, divided into 100,000 onlinary shares of £1 each, of which two subscriber shares were in issue, nil
- (b) By an ordinary resolution passed on 23rd June, 1989 each ordinary share of £1 each of the Company was sub-divided into 10 Ordinary Shares of 10p each;
   (c) On 23rd June, 1989, 499,980 Ordinary Shares (with 99,996 Warrants attached) were
- allotted and 4 Warrants were issued to the Manager against its irrevocable undertaking to pay up such shares and the subscriber shares as to one quarter of their pominal value by not later than 31st August, 1989 and, conditional on the Ordinary Shares being admitted to the Official List of The Stock Exchange, to pay the balance of the nominal amount and a capital contribution of 90p in respect of each of each shares and the subscriber shares on the date of such admission.
- On 23rd June, 1989 a certificate anthonising the Company to commence business was
- issued pursuant to Section 117 of the Act. By an ordinary resolution passed on 14th July, 1989 the authorised share capital of the Company was increased from £100,000 to £12,000,000 by the creation of an additional By an ordinary resolution (e) 119.000.000 Ordinary Shares
- By a special resolution passed on 14th July, 1989: **(f)** 
  - the Directors were authorised generally and unconditionally pursuant to and in accordance with Section 80 of the Act to exercise all the powers of the Company to allot relevant securities (within the meaning of that Section) of the Company up to an aggregate nominal amount of  $f_{11,950,000}$  persuant to the Offer and oo the of the Warrants in each case prior to 13th July, 1994 save that the Company may, before the expiry of such anthonity, make offers or agreements which would or might require misyant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offens or agreements as if the anthoniny confirmed thereby had not expired; and
- announce contented intentity had not expired; and the Directors were empowered paramet to Section 95 of the Act to allot equity securities (as defined in Section 94(2) of the Act) for cash pursuant to the authority confirmed by sub-paragraph (i)(i) above as if Section 89(1) of the Act tod not apply to any such allotments provided that such power will expire on 13th July, 1994 save that the Company may, before the expiry of such power, make offices or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the power conferred thereby had not expired. he day of this document the issued share capited of the Company in £50,000 divided
- (g) At the date of this document the issued share capital of the Company is £50,000 divided into 500,000 Ordinary Shares all of which are beneficially owned by the Manager. The ager will transfer 130,000 of these Ordinary Shares (with Warrants attached) to satisfy the applications intended to be made by the Directors and their family trusts referred to will be used to satisfy applications in respect of these Ordinary Shares (with Warrants attached) will be used to satisfy applications in respect of these Ordinary Shares (with Warrants attached) which have not been underwritten.
- Save as disclosed herein, there has been no issue of shares or loan capital of the Company
- and no such issue is proposed. Save as disclosed herein, on ordinary share capital or loan capital of the Company is under Ø

(vii) Untraced Shareholders

The Company shall be entitled after giving written notice to The Stock Exchange to sell at the best price reasonably obtainable the shares of a member or the shares to which a person is entitled by transmission on death or bankruptcy if, during a period of twelve years, as least three dividends have been paid to relation to such an of which a further period of three months from the date of advertisements giving notice of its intention to sell such shares placed after the expiry of the period of twelve years, the Company to sell such shares placed after the expiry of the period of twelve years, the Company has not received any communication as in the existence or when member or the person enotied by such transmission.

- (2) Alteration of share capital

  - resolution shall prescribe; or (ii) consolidate and divide all or any of its share capital into shares of larger amount
  - an its existing shares, or
  - (III) sub-divide its shares or any of them into shares of smaller amount; or cancel any shares which at the date of the passing of the resolution have not
- been taken or agreed in be taken by any person. The Company may, by special resolution, reduce its share capital and any capital ption reserve and any share premiom account in any manner authorised by the Act. (3) Purchase of own shares

The Company may, subject in the sanction of an ordinary or special resolution as the case may require and of an extraordinary resolution passed at a separate class meeting of the holders of any class of convertible shares (no such shares currently being in issue), purchase its own shares (including redeemable shares) in any manner authorised by the

#### (4) Director

- Each of the Directors shall be paid a fee for his services at such a rate (if any) as the Board shall determine provided that the aggregate of all such fees (excluding amounts payable for executive or extra or special services) shall not exceed £45,000 per annom (2) such higher amount as may from time to time be determined by Ordinary esolution of the Company. Such remuneration shall be deemed to accrue from day to day.
- to day. The Directors shall also be paid all expenses properly incurred by them in amending meetings of the Company or of the Board or in connection with the performance of their duties. In addition, any Director rendering special services or travelling or residing abroad on behalf of the Company shall be paid such remuneration and be entitled to such expenses as the Board may determine. A Director who, to his knowledge, is in any way, whether directly or indirectly, interested in any transaction with the Company shall declare the nature of his interest in any many the Ace **(b)**
- in accordance with the Act.
- (d) A Director shall not, as a Director, vote and shall not be counted in a quorum in respect of any transaction in which be has a material interest, encept that this prohibition shall not apply to: 6
  - the giving to any Director of any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company or its subsidiaries; or
  - (ii) the giving by the Company or any of its subsidiaries of any security to a chird party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security; or
  - (iii) any contract by a Director to underwrite shares or debentures or other obligations of the Company or any other company which the Company may promote or be interested in; or
  - any transaction affecting any other company in which be is not materially interested save as a director or employee of such other company. For this purpose, the intenest of a Director shall not be treated as material to the extent (iv) that he is not the holder of or heneficially interested in one per cent. or more of any class of shares or debentures of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company; or
  - (v) any act or thing done in respect of any scheme or arrangement to provide retirement or death benefits which has been approved by or is subject to and conditional upon approval by the Board of Inland Revenue for taxatioo purposes; or
  - (vi) any matter connected with an employees' share scheme or any share option scheme, other than the allocation to him of any share or the grant m him of any option over any share or any other matter concerning his individual ation in any such scheme.
- (e) Subject to the provisions of the Act, a Director may hold any other office or place of profit under the Company (other than the office of auditors) in conjunction with his office of Director, or may act in a professional capacity for the Company on such terms as the Board may determine. No Director shall be disqualified by his office from contracting with the Company, not shall any such contract or any contract or arrangement entered into by the Company in which any Director is in any way interested be liable to be avoided, nor shall any Director to contracting or being so

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interested be liable to account to the Company fot any profit realised by any such transaction by reason of such Director holding that office.

- (f) Notwithstanding Section 293 of the Act, a Director aged 70 or more shall be capable of being appointed a Director and shall not be required to retire by reason of his age.
- A Director shall nor be required m hold any qualification shares. At cach Annual General Meeting of the Company one-third (or the nearest number to one-third) of the Directors shall retire from office hy rotation. However, no Director holding any office as an executive Chairman or as Managing or Joint Managing Director shall be subject to retirement by rotation or taken into account in determining the number of Directors m retire. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director is eligible for re-election. The Company may from time to time by ordinary resolution appoint any person in be a Director and may also determine in what rotation such Director is to retire from office. The Directors may from time to time appoint one or more Directors but any Director so appointed shall retire at the next Annual General Meeting of the Company but shall then be eligible for re-election and any Director who so retires shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.
- (5) Capital Reserve

The Directors shall establish a capital reserve (the "mpiral reserve") and carry to the credit of the capital reserve or apply in providing for depreciation or contingencies all capital appreciation arising on the sale, transposioon, payment off or tevaluation of any investments or other capital assets of the Company in excess of the book value thereof. Any loss realised on the same, repayment or payment off of any investments or other capital assets may be carried to the debit of the capital reserve except in so far as the Board may in its discretion decide to make good the same out of other funds of the Company. All sums carried and standing to the credit of the capital reserve may be applied for any of the purposes to which sums standing to any revenue reserve are applicable except and provided that no part of the capital reserve or any other monies in the nature of accretion to capital shall be transferred in revenue account or be regarded as or treated as profits of the Company available for distribution (as defined in Section 263(2) of the Act) or be applied in paying dividends on any shares in the Company's capital. The Board may determine whether any amount received by the Company is to be dealt with as income or apital or partly one and partly the other.

(6) Borrowing Powers

The Board may exercise all the powers of the Company to borrow money or to mortgage or charge all its undertaking, property and uncalled capital and, subject to the e debentures and other securities whether outright or as collateral security for Act, to issue debentures and other securities whether outright of a contact a security tail any debt, liability or obligation of the Company or of any third party, but it shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries (if any) so as to secure (as regards subsidiaries, so far as hy such exercise it can secure) that the aggregate principal (as regards subsidiaries, so fat as hy such exercise it can secure) that the aggregate principal amount from time to time remaining undischarged of all borrowings of the Company and its subsidiaries (exclusive of intra-Group borrowings) shall not, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to the aggregate of the issued and paid up share capital and the amount standing to the credit of the capital and revenue reserves of the Group, including any share premium account, capital redemption reserve and the profit and loss account as shown in the latest audited balance sheet of the Company and its subsidiaries.

4 Under writing Arrangements By an Underwriting Agreement dated 14th July. 1989 between (1) the Company (2) Thornton & Co. Limited and (3) Cazenove & Co., Cazenove & Co. have agreed, subject to the dmission of the Ordinary Shares (with Warrants attached) issued undet the Offer to the Official List of The Stock Exchange becoming effective in accordance with the rules of The Stock Exchange not later than 18th August, 1989, to underwrite the issue of 74.87 million Ordinary Shares (with Warrants attached) in tespect of all of which Cazenove & Co. have received firm undertakings from other persons to subscribe or procure subscribers. Under the agreement the Cotopany will pay to Cazcoove & Co. a commission of 3.1 per cent. of the aggregate subscription price of the Ordinary Shares underwritten (out of which Cazenove & Co. will pay to those persons (including Dresdnet Bank AG) who have undertaken with Cazenove & Co. to subscribe ot procure subscribes for the Ordinary Shares being underwritten cotomissions of 3 per cent, of the subscription price of the Ordinary Shares to which the undertakings related). a fee for its services in respect of the Offer and an amount equal to the legal expenses incurred by Cazenove & Co., in all cases together with value added tax where . All applications received under the Offer pursuant to the undertakings referred to applicable ove will be accepted in full. The Underwriting Agreement provides that if applications under the Offer are not duly received pursuant to any of the undertakings referred to above but applications are received under the Offer (otherwise than pursuant to such undertakings) for a number of Ordinary Shares which exceeds the number of Ordinary Shares available generally in the Offer, the number of Ordinary Shares for which Cazenove & Co, would otherwise be liable to subscribe or procure subscribers in ordet to remedy the shortfall arising nucler such undertakings will be reduced by the amount of such excess. Under the agreement, which may be terminated hy Cazenove & Co. in certain circumstances, warranties and indeposities have been given to Cazcoove & Co. hy the Cotopany and Thornton & Co. Limited. 5 Commission to intermediaries

The Company will pay, out of the gross proceeds of the Offer teceived by it, a commission to intermediaries at the rate of 1.75 per cent. (together with value added tax where applicable) of the total subscription price of Ordinary Shares (with Warrants attached) issued under the Offer pursuant to applications hearing their stamp but no such commission will be payable in respect of applications which give rise to an entitlement to commission from Cazenove & Co. der the arrangements referred to in paragraph 4 above.

6 Directors' and other interests

At the date of this document neither the Directors nor their immediate families have any (a) interest in the Ordinary Shares or Warrants which is required to be shown in the register maintained under the provisions of Section 325 of the Act. The following Directors have expressed an intention to make applications under the Offer for the number of Ordinary Shares (with Warrants attached) set opposite their respective names below, all of which shares will be held beneficially, and it is intended that these applications will be toer in

## Ordinary Shares

#### 7 Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into hy the Company since its incorporation and are or may be material

- (i) (ii)
- the Underwriting Agreement referred to in paragraph 4 above; the Management Agreement dated 14th July, 1989 between the Company (1) and the Manager (2) under which the Manager has agreed to provide management services to the Company for a quarterly management fee of 0.375 per cent. of the Company's assets under management (as defined therein) at the end of the relevant quarter. The agreement may not be terminated, otherwise that in certain special

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(iii) a Custodian Agreement dated 14th July, 1989 between the Company (1) and The Hongkong and Shanghai Banking Corporation ("HSBC") (2) under which HSBC was appointed custodian of the assets of the Company.

Under current UK cazation legislation, no withholding tax will be deduced from dividends paid by the Company. The Company is required to make an advance payment of corporation tax ("ACT") when a dividend is paid, being a payment calculated by reference to the basic rate of income tax. The current ACT rate is 25/75th of the dividend paid. Consequently, the ACT relating to any dividend currently equals 25 per cent. of the total of the cost of dividend and the ACT the cash dividend and the ACT.

the cash dividend and the ACT. A UK resident individual shareholder receives, imputed to any cash dividend received, a tax credit which is equal to the amount of ACT paid by the Company in respect of the dividend. The tax credit will satisfy in full a UK resident individual shareholder's liability to basic rate tax on the aggregate of the dividend and the tax credit leaving the individual shareholder liable to the higher rate of tax only (if appropriate). If the individual so resident is not liable to income tax, the tax credit may be repaid, in whole or in part, by the Inland Revenne. A UK resident corporate shareholder will not be liable to UK corporation tax on any dividend received and the dividend and associate tax credit will represent franked investment incomes in the hards of such a shareholder.

ome in the hands of such a shareholder.

Shareholders in the Company who are not resident in the UK may be entitled to a payment from the Inland Revenue of a proportion of the tax credit relating to their dividends but such entitlement will depend, in general, upon the provisions of any double taxation agreement or convention which exists between the UK and their country of residence. Non-UK resident shareholders may also be subject to foreign tration on dividend income in their country of residence. Any person who is not resident in the UK should consult his own tax adviser on the question of the double tration provisions (if any) applying between his country of residence and the UK.

#### Stamp duty and stamp duty reserve tax

- On the issue of Renounceable Letters of Allotment, no stamp duty or stamp duty reserve (2) tax will be payable.
- A purchaser of rights to Ordinary Shares (with Warrants attached) represented hy a renounceable letter of allotment on or before the latest time for registration of renunciation will be liable to stamp duty reserve tax at the rate of 50 pence per £100 or part thereof of ъ he actual considerat ion paid.
- The transfer on sale of a renounceable letter of allotmeot after the latest time for registration of renunciation will be subject to ad valores stamp dury (or, if an unconditional agreement to transfer the renounceable letter of allotment is not completed by a duly stamped transfer within 2 months, stamp duty reserve tax) at the rate of 50 pence per £100 or part thereof of the actual consideration paid.
- No further stamp dury reserve tax will be payable on the registration of renounced enounceable letters of allotment.
- Transfers of Ordinary Shares or Warrants when detached will be liable to ed volorem stamp duty in the usual way at the rate of 50 pence per £100 or part thereof of the actual consideration paid.
- Miscellaneon
- The total expenses of or incidental to the Offer, rogether with the costs of the proposed (2) listing of the Ordinary Shares and the Warrants on the Frankfurt Stock Exchange, are payable by the Company and are estimated to amount to approximately (3.638 million (excluding value added tax) on the assumption that the Offer is fully subscribed and on the basis that commission is payable to intermediaries, in respect of those Ordinary Shares (with Warrants attached) the subscription of which has not been underwritten, at 1.75 per cent. on the subscription munics for such shares. Such costs and expenses are estimated to amount to approximately [3.2 collion (excluding value added tax) if the Offer is only subscribed to the extent of the Ordinary Shares (with Warrants attached) the subscription of which has been underwritten.
- The Company is nor involved in any legal or arbitration proceedings nor, so fat as the
- Directors are aware, are any such proceedings pending or threatened against the Company. Save as disclosed herein, there has been no significant change in the financial or trading (c) sition of the Company since its incorporation.
- Save for its entry into the material contracts summarised in paragraph 7 above and the issue of a preliminary prospectus on 4th July, 1989, the Company has not commenced business and has not and has never had any subsidiaries or employees. It is the intention of the Directors to form a wholly-owned subsidiary of the Company,
- the principal activity of which will be dealing in securities.
- **(f)** It is the intention of the Directors to conduct the affairs of the Company so that it satisfies the requirements for qualification as an investment company under Section 266 of the nies Act 1985 and the Company has given notice to the Registrar of Companies of its intention to carry on business as an investment company pursuant to that Section.
- Coopers & Lybrand, who have been the only auditors of the Company since its (c) incorporation, have giveo and have not withdrawn their written consect to the issue of this document with the inclusion herein of their report in the form and context in which it is included.
- Thomston & Co. Limited is the promoter of the Company. Save as disclosed herein, no amount or benefit has been paid of giveo to the promoter and none is intended to be paid or given.
- Cazenove & Co. is a member firm of The Securities Association and of The Stock Exchange. 0
- The issue price of 100p per Ordinary Share represents a premium of 90p per share over the nominal value of an Ordinary Share.

(ii) The right is reserved to present all cheques and banker's drafts for payment on receipt by The Royal Bank of Scotland ple and to retain renoanceable letters of allotment and surplus

application moneys pending clearance of successful applicants' cheques. The right is also reserved to reject in whole or in part, or to scale down or limit, any application. reserved to reject in whole or in part, or to scale down or limit, any application. If any application is not accepted in whole, or is accepted in part only, ot if any contract created by acceptance does not become unconditional, the application moneys or, as the case may be, the balance thereof will be returned without interest by returning the applicant's(s') cheque or banker's draft or by crossed cheque in favour of the first-named applicant, through the post at the risk of the person(s) entitled thereto. In the meantime, applicant, through the post at the risk of the person(s) entitled thereto. In the meantime, pplication moneys will be retained by The Royal Bank of Scotland plc in a separate

# (iii) By completing and delivering an Application Form, you:

- offer to subscribe the number of Ordinary Shares (with Warrants attached) specified in your Application Forta (or such lesser number for which your application is accepted) at the Offer Price and on the terms of, and subject to the conditions set (a) out in, this document, including these terms and conditions and subject to the Memorandum and Articles of Association of the Company;
- agree that, in consideration of the Company agreeing that it will not prior to 28th July, 1989 offer for subscription any Ordinary Shares (with Warrants attached) to (Ъ) Jury, 1959 oner for subscription any Ordinary Shares (with warrants attached) to any person other than by means of the procedures referred to in this document, your application may not be revoked until after 18th August, 1989 and that this paragraph shall constitute a collateral contract between you and the Company which will become binding npon despatch by post to or, in the case of delivery by hand, on receipt by, The Royal Bank of Scotland plc, of your Application Form;
- warrant that the remittance accompanying your Application Form will be be (c) on first presentation;
- agree that, in respect of those Ordinary Shares (with Warrants attached) for which (d) is application has been received and is not rejected, acceptance of your application your appucation has been received and is not rejected, acceptance of your application shall be constituted, at the election of the Company, either (i) by notification to The Stock Exchange of the basis of allocation (in which case acceptance shall be on that basis) or (ii) by notification of acceptance thereof to The Royal Bank of Scotland plc; agree that any renounceable letter of allocation and any tooneys returnable to your may be retained by the The Royal Bank of Scotland plc pending clearance of your providence and that such acceptance there interact
- (c) rance and that such moneys will not bear interest;
- authorise The Royal Bank of Scotland plc to send a fully paid renounceable letter of allotment in respect of the number of Ordinary Shares (with Warrants attached) for which your application is accepted and/or crossed cheque for any moneys returnable, hy post to the address of the person (or the first-named person) named as an applicant in the Application Form; (f)
- warrant that, if you sign the Application Form on behalf of somebody else or on behalf of a corporation, you have due anthority to do so on behalf of that other person and undertake to enclose your power of azorney or a copy thereof certified by a solicitor, where this is required by the "Notes on how to complete the Application (e) Form":
- agree that all applications, acceptances of applications and contracts resulting therefrom under the Offer shall be governed by and construed in accordance with English law and that you submit to the jurisdiction of the English courts:
- confirm that in making such application you are not relying on any information or representation in relation to the Company other than those contained in this (ī) document and accordingly you agree that no person responsible solely or jointly for this document or any part thereof shall have any liability for any such other information or representation; authorise The Royal Bank of Scotland plc or Cazenove & Co. or any person authorised
- 6) by The Royal Bank of Scotland plc or Cazenove & Co., as your agent, to do all things necessary to effect registration of any Ordinary Shares and Warrants subscribed by you into your name(s) or into the name(s) of any person(s) io whose favour the entitlement to any such Ordinary Shares (with Warrants attached) has been renounced and authorise any representative of The Royal Bank of Scotland plc or of.
- Cazenove & Co. to execute any renounceable or other document required therefor, agree that, having had the opportunity to read this document, you shall be deemed to have had notice of all information and representations concerning the Company (k) contained therein;
- confirm that you have reviewed the restrictions contained in paragraph (v) below ወ and warrant as provided therein:
- agree that, without prejudice to any other rights to which you may be entitled, you will not be entitled to exercise any temedy of rescission for innocent misrepresentation at any time after acceptance of your application;
- (n) all documents and cheques sent hy post, by or on behalf of the Company or Cazenove & Co., will be sent at the risk of the person(s) entitled thereto under the Offer; and
   (o) confirm that you have read and complied with paragraph (iv) below.
- to person receiving a copy of this document or an Application Form in any territory other than the United Kingdoto may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form miless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without contravention of any registration of other legal requirements. It is the responsibility of any person outside the UK wishing to make an application hereunder to catisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory. The Ordinary Shares and Warrants have not been and will not be registered under the
- United States Securities Act of 1933 (as amended). The Ordinary Shares and Warrants may not be offered, sold, renounced, transferred or delivered, directly ot indirectly, in the United States or to any U.S. Person, Persons subscribing for Ordinary Shares (with Warrants attached) (including renounces submitting renounceable letters of allotment for registration) shall be deemed, and (unless the Company is satisfied that Ordinary Shares can be allotted without breach of United States securities laws) persons subscribing for Ordinary Shares in connection with the exercise of Warrants shall be required, to represent and warrant to the Company that they are not U.S. Persons and that they are not subscribing for such Ordinary Shares or Wamants for the account of any U.S. Person and will nor offer, sell, renounce, transfer or deliver, directly or indirectly, such Ordinary Shares or Warrants in the United States or to any U.S. Person. As used herein, "United States"

Directot	(with wattand attached
R. C. Thomas	15,000
1. M. Cobb	5,000
G. A. Liddell	5,000
L. Price Q.C.	5,000
	red that a commany owned by a must of whit

In addition, Mr. P. Tose has indicated that a company owned by a trust of which Mr. P. Tose and his family are the beneficiaries intends to apply for 100,000 Ordinary Shares (with Warrants attached) and it is intended that this application will be toer in full.
(b) (i) Mr. R. C. Thomma and Mr. L. Price are shareholders of Thoraton & Co Limited.
Mr. R. C. Thomman and Mr. L. Price are shareholders of Thoraton & Co Limited.

- Mr. R. C. Thornton is the Chairman of Thornton & Co. Limited and Mt. G. Eberstadt and Mr. H. Wunderlich, who are both employed by companies in the
- Dresdner Bank Group, are directors of Thornton & Co. Limited. (ii) The Managet and the Investment Manager are subsidiaries of Thornton & Co. Limited. Mr. R. C. Thornton and Mr. H. Wunderlich are directors of each of the Manager and Investment Managet. (iii) The Manager has undertaken on behalf of certain of its clients to subscribe for
- (iii) The binager has undertaken on ochain of certain of search of subscribe for 8,650,000 Ordinary Shares (with Warrants attached). It will receive from Cazenove & Co. a 3 per cent. commission in respect of such Ordinary Shares (with Warrants attached) subscribed for under the arrangements detailed at paragraph 4 above, all of which commission will be passed on to its clients.
   (iv) Save as disclosed herein, no Director of the Company has or has had any interest in
- any transaction which is ot was unusual in its nature ot conditions or is or was
- (c) So far as the Directors are aware, immediately following the issue of Ordinary Shares under the Offer, assuming minitoum subscription, it is not expected that any person will, directly or indirectly, be interested in 5 per cent. or more of the issued Ordinary Shares.
- (d) There are no service contracts between the Company and any of its Directors not are any such contracts proposed.
- Mr. R. C. Thoraton, Mr. G. Eberstadt, Mt. G. A. Liddell and Mr. H. Wunderlich have (c) agreed to waive their entitlement to directors' fees. It is estimated that the aggregate fees of the remaining Directors for the Company's first financial period ending 31st December, 1989 will be £12,500.
- NOTES ON HOW TO COMPLETE THE APPLICATION FORM

1. Insert in Box 1 (in figures) the number of Ordinary Shares (with Warrants attached) for which you are applying.

Applications must be for a minimum of 1,000 Ordinary Shares (with Warrants attached) or in multiples thereof.

2. Insert in Box 2 (in figures) the amount of your cheque or banker's draft, This should be equal to the number of Ordinary Shares (with Warrants attached) for which you are applying coultiplied by the Offer Price of 100p.

- 3. Insert your full name and address in BLOCK CAPITALS in Box 3.
- 4. Sign and date the Application Form in Box 4.

The Application Form may be signed by another person on your behalf (and/or on behalf of any joint applicant(s)) if duly authorised so to do, hut the power(s) of attorney (or a copy(ies) thereof duly certified hy a solicitor) or form(s) of authority must be enclosed for inspection. A corporation should sign under the hand of a duly authorised official whose representative capacity must he stated.

5. You must pin a single cheque or banker's draft to your complete Application Form in Box 5. Your cheque or banker's draft must be payable to "The Royal Bank of Scotland plc" for the amount payable on application inserted in Box 2 and should be crossed "Not Negotiable".

No receipt will be issued for this payment, which must be solely for this application. Your cheque ot banker's draft must he drawn in sterling on an accoust at a hranch (which must be in the U.K., the Channel Islands or the Isle of Man) of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques and banker's drafts to be presented for payment through the clearing facilities provided for the members of those Clearing Houses and must bear the appropriate sorting code nomber in the top right-hand corner.

An application may be accompanied by a cheque drawn by a person other than the applicant(s), hut any moneys to be returned will be sent by crossed cheque in favour of the person named in Box 3.

A separate ebeque or banker's draft must accompany each applicatioo.

2.2

6. You may apply jointly with up to three other persons.

You must then arrange for the Application Form to be completed by or on behalf of each joint applicant. Their full names and addresses should be inserted in BLOCK CAPITALS in Box 6.

7. Box 7 must be signed by or on behalf of each joint applicant (other than the first applicant who should complete Box 3 and sign Box 4).

You must send the completed Application Form hy post, or deliver it by hand, to The Royal Bank of Scotland plc, Registrar's Department, 29 Gresham Street, London, EC2V 7HN, so as to arrive no later than 10.00 a.m. on 21st July, 1989. If you post your Application Form you are recommended to use first class post and to allow at least two business days for delivery.

11 Documents available for insp toitot

Copies of the following documents will he available for inspection at the offices of Srephenson Harwood, One, St. Paul's Churchyard, London EC4M 85H and at the registered office of the Company at 33 Cavendish Square, London W1M 7HF during usual husiness haurs on any weekday (Saturdays and public holidays excepted) up to and including Monday, 31st July, 1989:-

- the Memorandum and Articles of Association of TAEMIT; the material contracts of TAEMIT referred to io paragraph 7 of this Part IV;
- (i) (ii) (iii) these Listing Particulars;

(iv) the report of Coopers & Lybrand and their written consent referred to in paragraph 10(g) above.

Dated 14th July, 1989.

PART V

## Terms and Conditions of Application

(i) The constract created by the acceptance of applications under the Offer will be conditional upon (i) the admission of the Ordinary Shares (with Warrants attached) to the Official List of The Stock Exchange by not later than 18th August, 1989 and (ii) the Underwriting Agreement referred to in paragraph 4 in Part IV becoming unconditional and not being terminated in accordance with its terms.

#### THORNTON ASIAN EMERGING MARKETS INVESTMENT TRUST PLC

Offer for subscription sponsored by Cazenove & Co. of up to 100,000,000 Ordinary Shares (with Warrants attached) at 100p per share, payable in full on application.

#### APPLICATION FORM

IMPORTANT: BEFORE COMPLETING THIS FORM, YOU SHOULD READ THE ACCOMPANYING NOTES

ALL APPLICANTS MUST COMPLETE BOXES 1 TO S

see note 1 Ordinary Shares

(with Warrants attached)

I/We offer to subscribe for

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in Thornton Asian Emerging Markets Investment Trust ple on and subject to the Terms and Conditions of Application set out in the listing particulars dated 14th July, 1989 and subject to the Memorandum and Articles of Association of the Cotopany

and 1/we attach a cheque or bank the amount payable of		£	see note 2	2
MR., MRS., MISS OR TITLE	LS FORENAME(S) (IN	Full)	see note 3	]3
SURNAME				1
ADDRESS (IN FULL)				
		POSTCODE		
DATED 198	SIGNATURE		see note 4	4
				ĪĘ

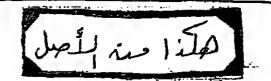
PIN YOUR CHEQUE OR BANKER'S DRAFT HERE FOR THE EXACT AMOUNT SHOWN IN BOX 2 MADE PAYABLE TO "THE ROYAL BANK OF SCOTLAND pic" AND CROSSED "NOT NEGOTIABLE"

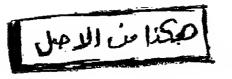
- means the United States of America (including each of the States and the District of Columbia), its territories or possessions or other areas subject to its jurisdiction and "U.S. Person" means any person who is a citizen or resident of the United States, a corporation, partnership or other entity created or organised in or under the laws of the United States or an estate or trust which is subject to United States federal income taxation regardless of the source of its income
- (vi) The basis of allocation will be determined by Cazenove & Co. The right is reserved notwithstanding the basis so determined to reject to whole or in part and/or scale down any application. The right is reserved to treat as valid any application not in all respects completed in accordance with the instructions accompanying the Application Form. Availability of Listing Particulars

Copies of this document and the Application Form are available for collection from The Company Announcements Office, The Stock Exchange, 46 Finsbury Square, London EC2 for two business days following the date of publication of this document and until the Offer closes from the registered office of the Company and from:

Cazenove & Co.,	Thornton Investment Managemen
12 Tokenhouse Yard,	Limited.
London EC2R 7AN	33 Cavendish Square,
	London W1M 7HF
The Roy	al Bank of Scotland plc.
Regi	strar's Department,
29	Gresham Street,
Lo	don EC2V 7HN

BOXES 6	AND 7 MUST	BE COMPLET	ED ONLY BY	THE JOINT AP	PLICANT(S)
PLEASE USE I	BLOCK CAPT				
MR., MRS., MI OR TITLE		MR., MRS., M OR TITLE	ISS	MR., MRS., M OR TITLE	Miss 6
FORENAME(S)	) (IN FULL)	FORENAME(	i) (IN FULL)	FORENAME	(S) (IN FULL)
SURNAME		SURNAME		SURNAME	
ADDRESS (IN	FULL)	ADDRESS (IN	FULL)	ADDRESS (II	N FULL)
	POSTCODE		POSTCODI	8	POSTCODE
SIGNATURE		SIGNATURE		SIGNATURE	7
Intermediaries stamp the box b	claiming com relow.	nission should		For	Official Use Only
STAMP	OF INTERMED	DIARY	[ i A	LOTMENT NU	MBER
			ä. C	ORDINARY SHAN	LES (with ALLOTTED
SRO OR RPB A	ND MEMBERS	TP NUMBER	Lin A	MOUNT RECEIV	VED
	VAT No.		iv. A	MOUNT PAYAB	] ILE
SHA	RES ALLOCAT	ED	v. A £	MOUNT RETUR	INED
COMMI	SSION CALCUI	ATED	vi. C	HEQUE NUMBE	R





# **DIARY DATES**

10.00 EMAP, The Haycock Hotel, Wansford-in-England, 12.00 Herrison Inde., Post House Hotel, Pala-tise Road, Northanden, Manchat-ber, 10.30

od Foods, The Denty Assem-

bly Rooms, City Centre, 12.00 scapte & Gateshead Water, Alien-dale Road, Newcastle-upon-Tyne, 12.00

FINANCIAL

# Trade Fairs and Exhibitions: UK

#### Current Gift Fair (0282 867153) (until July 20)

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Harrogate July 17-19 Mohile Satellite Communications Exhibition (01-868 4466) Queen Elizabeth II Confer-

ence Centre, London July 20-23 Antiques and Fine Arts Fair

(061-832 6779) G-Mex Centre, Manchester July 25-30

British Music Fair (01-730 7852) Olympia August 13-17

Gifts Fair (0473 622093) Hove Town Hall August 17-20

Antiques Fair (04447 2514) Kensington Town Hall August 28-28 Town and Country Festival (0203 696069)

Kenflworth

# **Overseas Exhibitions**

#### July 18-19 Cologne Fashion Fairs - Inter-national Trend Show (01-930 7251) Cologne July 27-30 International Furniture Fair & Woodworking Machinery & Furniture Supplies Exhibition (0494 729406) Bangkok

September 4-9

# **Business and management conferences**

July 17-18 Frost & Sullivan: Niche mar-keting - How to identify natural market opportunities (01-730 3438)

London July 19 LLR. Industrial: The second annual conference for FIMBRA members (01-287 8830)

Wemhley Conference Centre July 21 The Royal Institute of International Affairs and the CBI: The single European market - the external implications (01-379

7400) Centre Point, London July 24-25 Frost and Sullivan: Business

intelligence: How to gain and retain a competitive advantage (01-730 3438) London July 25

Dale Carnegie:"Results are what count!" (01-979 8800) 69 Cannon Street, London

July 31- August 1 The Industrial Society: Manag-

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

TODAY COMPANY MEETINGS-Airflow Streamlines, Northampton Moat House, Silver Streat, Nor-thampton, 12.00 British Airways, The Barbican Centre, Silk Streat, E.C., 12.00 Busimsse Morinages Trust, Blackfrians House, 19 New Bridge Street, 1 E.C., 11.30 Bird Group, 23 Setters September 2-6 Top Drawer Gift and Decorative Accessories Exhibition ( 01-727 1929) Kensington Exhibition Centre September 5-8 International Carpet Fair Caird Group, 33 Seldorde Straet, E.C.,

. . . . . . . . . . . . . . . . . . . .

(021-705 6706) Exhibition Centre, Harrogate

September 5-8 Offshore Europe Exhibition and Conference (01-549 5831) Aberdeen

September 7-9 Money Show (01-940 2244) NEC, Birmingham September 10-13 International Menswear MAB (01-437 8754)

(01-977 3474)

373161)

tember 13-14

September 13-17

vation (01-262 2401)

networks (01-730 3438)

August 2-4

September 6

(01-680 5682)

September 11

September 13-14

International Fisheries Indus-try Exhibition (01-948 9900)

ing for involvement and inno-

London Pres Centre

London

London

The Industrial Society: Annual

hours - principles into prac-tice (01-262 2401)

Financial Times Conferences:

Hotel Inter-Continental, Frankfurt

September 14 Tolley Conferences: Duties and

responsibilities of a company

secretary (01-680\_5682)

World Motor (01-925 2328)

12,00 PCT Group, The Gleddoch House Hotel, Langhank, Restrewshire, 12,00 Starling Inds., Cayzer House, 1 Thomas More Street, 12,50 BOARD MEETINGS-Fiends: Earls Court September 12-28 Antiques Fair (04447 2514) Chelses Old Town Hall

Finals: Bogod-Pelapah Cowan de Groot Tomkins Interims; Eurothorm latt.

12.00

Haz

Europerson and Europerson States Trust of Property States Dividend And Battenest Payments-Abbey National Bidg. Soc. Fig. Rate Nin. 2000 523.75 Bank of New York O'sees Fin. NV Gtd. Filg. Rate Sub. Nis. Jan. 1995 5260.83 Show of the Nations Exhibition Vienna September 13-14 Pre-Press Exhibition (0372 Copenhagen.

Nantes

Filg. Rate Sub. Nes. Jan. 1995 5260.63 Bank of Nova Scotts Filg. Rate Debs. July 1994 \$400.21 Bartings BV Gad. Filg. Rate Cop. Nts. 2001 \$480.21 Chrysler Cop. 20cts. Citicopy O'seas Fin. Corp. NV Gitl. Filg. Rate Nts. 1992 \$295.94 Crofitmantshit Bankversein Sub. Filg. Rate Nts. 1992 \$555 External Arv. Tat. 14p Forsmarka Kraftgrupp AS 13% Gdd. Nts. 1982 6.5cc. General Motors Corp. 91s % Nts. 5.5825pc. Land Securities 10.5p Lason Eurofinance BV Fitg. Rate Gdd. Nts. 1989 \$249.82 Netional Bank of Canada Filg. Rate Dep, Nts. July 1991 \$245.68 Nationwide Sidg. Soc. Filg. Rate Nts. 1996 \$2165.25 Samwa Inti. Fin. Gid. Filg. Rate Nts. IBM South Bank,London SE1

1996 £185.25 Sanwa Intil. Fin. Gyd. Fitg. Rate Nts. 1993 \$4858.09 Tarmac 7.5p 31 Group Fitg. Rate Nts. 1994 £185.17 Treasury 2<sup>3</sup>2% EL 2024 £1.4078 Unigate 8.6p Weits Farto Fits. Rate Sub. Mat. Mat.

Frost and Sullivan: Evaluating and implementing local area is Fargo Fito, Rate Sub. bits, July 1997 \$265.42 tralsparkasse und Kommerzial-bank Wien Fitg. Rate Sub, Nts. Brighton

1991 \$246.68 **Tolley Conferences: Payroll** TOMORROW COMPANY MEETINGSmanager's review third annual npdating conference 1989

COMPANY MEETINGS-Bridgend, Great Eastern Hotel, Liver-pool Street, E.C., 11.00 Cable & Wireless, The Groevenor House Hotel, Park Lane, W., 11.00 Courtaulds, London Marriott Hotel, Grosvenor Square, W., 10.45 Foster (John), Black Dyke Mills, Queensbury, Bradford, 12.30 Great Portland Estates, Cafe Royal, 63 Regent Street, W., 12.00 Hanover Druce, 21 Manchester Square, W., 10.50 Salveeen (Christian), Sheraton Hotel, Festival Square, Edinburgh, 11.00 BOARD MEETINGS-Finals:

# PARLIAMENTARY

Today Commons: Timetable motion on

Pootball Spectators' Bill. Arctic Minerals Bill, remaining

Brasway Clarke Hooper Coletex & Fowler Greighton Labs. Hampson Elblef Stanley Leisure Intertms: Infertness Devenport Vernon Dewfurst Free State Cons, Gold Mines, Selective Assets Throgmorton USM Tet, Transvaal Gold Mining Heiten Ragian Property Trust Rush & Tomkins Tribuna inv. Tst. DIVIDEND AND INTEREST PAYMENTS Daily Mail & General Tat. 25p Daily Mail & General Tat. 200 Do. A NV 250 Dewhurat Dent 7% Una. Ln. 80/2000 3.50c. Dunhill Hidgs. 2.50 Elye (Wimbledon) 9% % Una. Ln. 95/99 Microgen Securiquard DIVIDEND AND INTEREST PAYMENTS-Dunhill Hidgs, 2.5p Elye (Wimbledon) 9% % Uns. Ln. 95/99 A.875pc, Do. 7% % 1st Mtg. Deb. 85/91 3.625pc. Physu 2.05p Wells Fargo 75cts. Westbury 5.5p FRIDAY JULY 21 COMPANY MEETINGS-Builder Group, London Inti, Press Cen-tre, 76 Shoe Lane, E.C., 12.00 Centreway Trust, 1 Victoria Square, Alimipgham, 10.00 Ferguson Indi, Hidgs, Appleby Gram-mar School, Appleby, Cumbria, 11.30 Northern Foods, The Grange Park Hotol, Wilkery, 12.30 Portsmouth & Sunderland Newspa-pers, The News Centre, Hilsea, Portsmouth, 12.30 Property Partnerships, Norwich Hotel, 12-131 Boundary Road, Norwich, 11.30 Echlin 17.5cts, F & C Smaller Companies 0.9p Fluor Corp. 4cts. Fuor Conp. 4cts. Foster (Jahn) & Son 3.75p M & G Second Dual Tat. 9,15p MEPC 4.75p Northern Rock Bidg. Soc. Fitg. Rate Nta. 1985 £183.51 Nta. 1985 £183.51 Normern Hock Hidd, Soc. Find. Hans Nis. 1985 5183,61 WEDNESDAY, JULY 18 COMPANY MILETINGS-Airsprung Group, Cause Road, Trow-bridge, Wiltshire, 2.30 Continuous Stationary, Weddorf Hotel, Aldwych, W.C., 11,00 Dunbill Hidgs., Carle Royal, 63 Regent Street, W., 12,00 Johnson Matitisty, London Press Cen-tre, Shoe Lane, 11.30 Plysu, Brewery Conference Centre, Chiswell Street, E.C., 12,15 Powell Dullryn, Waldorf Hotel, Ald-wych, W.C., 12,00 Prowting, The Brewery, Chiswell Street, E.G., 12,30 York Trust, 3 Finsbury Square, E.C., 11,00 11.00 BOARD MEETINGS-

Authority levs. Bespak British Bloodstock Buimer (H. P.)

Harland St

Harris (Philip)

Citevision

estie Wise

Harland Simon Neopsend Priest (Sen.) Tinsiey Robor Interines: British Kidney Patient Ass. Inv. Tst. Clarice, Nicholis & Coombs Drayton Far Eastern Tst. First Leisure Corp. Scottish American Inv. OW/DEND AND INTEREST PAYMENTS-Estates & Agency Hidgs. 3p Exchequer 94, % 1998 4.875pc. Hill Samuel Fitg. Rate Nts. 2016 \$505.92 New Throamorton Tst. (1983) 4.75p

500.52 New Throgmorton Tst. (1983) 4.75p Newcastle & Gateshead Water 4.2% (Fmly. 6%) Max. 2.1p Do. 4.9% (Fmly. 7%) Max. Cons. (1876) 2.45%

Da. 4.9% (Fmby, 7%) Max. Cons. (1876) 2.45p
Da. 4.9% (Fmby, 7%) Max. (1996) 2.45p
Da. 7% (Fmby, 10%) Max. Cons. 3.5p
Da. 3.5% (Fmby, 5%) Cons. Pril. 1.75p
Do. 2.45% (Fmby, 312 %) Perp. Pril. 1.225p
Royal Bank of Scotland 6p
Scotlish Inv. Tat. 1.15p
Treasury 2% II. 2008 £1.58
Brown Shlpley, Founders Court, Letthbury, E.C., 12.30
Heath (C. E.), Baitic Exchange, 14-20 8t. Mary Axe, E.C., 10.00
II. Information Tach., Royal Norse-guards Hotel, Whitehali, 10.00
TT Technology, Mermaid House, 2 Puddle Dock, E.C., 12.30
Waddington (John), Glaziors Hall, 9 Montague Close, S.E., 12.00
BOARD MEETINGS-Finals: Finals: Black Arrow

Greenmar DIV/OEMD AND INTEREST PAYMENTS-American Express Credit Corp. C4, % Senior Na. 1992 4.825pc. Burton Group 2.8p Camford Eng. 1.3p City of London PR Group 1.5p Company of Designers 1.25p Devenieh (J. A.) 0.95p Durdae & London Inv. Tst. 5.4p Eastern Produce Hidgs. 8.5p Eastern Produce Hidgs. 8.5p Eastern Transvaal Cons. Mines 61.540805p Exchoquer 104, % 1995 5.25pc. Fieming Fledgeling Inv. Tst. 64, % Ocb. 88/95 3.125p Great Portiand Estates 8p Hartsbeestfontein Gold Minine 23.22287p 23.2287p Lodge Care 2.25p London & O'seas Freighters 0.6p McInemery Properties 4.5p Personal Assets Tat. 1.25p Sanders & Sidney 4.6p Saskatchewan (Prov. of) 87g % Nts. 1991 4.9375pc. Tate & Lyle 2.9p SATURDAY JULY 22 SATURDAY JULY 22 COMPANY MEETINGS-Vosper Thormycraft Hidgs., Victoria Road, Woolston, Southampton, 11.00 DIVIDEND AND INTEREST PAYMENTS-Evolutions 124 (2009) has Dividend And Interest PAYMEN Exchequer 12% 8942 bpc. Readicut Intl, 2.59p Spandex 2.75p Transury 12% % Ln. 1992 6.375pc, Do. 13% % 1996 7pc. Do. 13% % 1996 7pc. Do. 13% % 1997 6.825pc, Do. 11% % 03/07 5.875pc,

**BUILDING CONTRACTS** Mixed outlook for architects

interest rates.

Government spending on building was forecast by archi-

tects to remain static during

the next 12 months. The only

significant increase was likely

to be in the bealth sector

where authorities have been

encouraged to raise funds by selling surplus land and build

By Andrew Taylor, Construction Correspondent

ARCHITECTS expect their workload to fall slightly this year but should start increas. Commissions for industrial work were expected to decline workload to fall slightly this year but should start increasing again next spring accord-ing to the latest forecasts from by about 10 per cent. Investment decisions were being postponed, despite high com-pany profits, because of uncer-tainty about the economy and the Royal Institute of British

"Even though workloads will fall this year, they will remain above 1987 levels for work,"

said the institute. It said demand for housing work had been stifled hy high interest rates and high bouse prices in relation to wages. Commissions and drawings

for office construction were expected to fall by about seven per cent this year.

"Property companies, although recognising the good investment and high levels of returns achievable from offices, are financially commit-ted with record levels of bank borrowings," said the institute. It expected commissions for retail work to fall hy about eight per cent this year as schemes were abandoned in anticipation of a slowdown in

> Healthcare project in Cambridgeshire

coosortium including Simkel Developments and Lousada New contracts awarded to SDC BUILDERS, Bedford, totalling over £17.6m, include the design (24m); retail and office units in and construction of a 60-bed Bedford town centre for SDC private bospital, with close (Anglia) (fl.4m); a two-storey care facilities for another 50 residents, in the grounds of Grade 2 listed Newton Hall, six office building for the Country Gentlemen's Association at Letcbworth Business Park (fl.2m) and a scheme of small factory units for Grand Union developments at Kempston, miles from the centre of Camhridge. The hall itself will pro-vide 14,000 sq ft of administra-tion space and when the 54m project is completed, the devel-opers will offer it for sale to a Beds, (£950,000). The rest of the contracts include another private health development, for 3P, at Bottisham, Cambs, (£3m) private health care group. and extensions and refurbish-

ment at two Royal Mail cen-Further design and build work involves a riverside leitres, at Milton Keynes and sure complex at Bedford for a Tring, costing in excess of £3m.

# Improving drainage in the Milton Keynes area

# MILLER CONSTRUCTION has

gained the Kingston and Brink-This latest scheme to be low main drainage contract undertaken by Anglian Water will provide a main drainage infrastructure for the fast which is believed to include the largest box culvert order ever placed. This covers the growing town of Milton Keynes

CRENDON Hi-Spec Structures for **Hi-Tech Industries** CRENDON STRUCTURES LIMITED ndon, Aylesbury, Bu HP18988 Tel: Long Crendon (0844) 208451 Fax: (0844) 201622 Telex: 83249

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# **Hong Kong** railway

SANFIELD-LAM CONTRACTORS has been awarded a HK\$170m (£13.3m) contract for huilding work at the Ho Tung Lau depot and workshop of the Kowloon-Can-

renewing and upgrading the facilities of the existing depot and workshop to most the requirements of the expanding rolling-stock, to provide addi-tional stabling for trains, and to enhance the productivity of maintenance work. The train fleet is expected to increase from 180 cars to a projected figure of 309 cars by October 1990.

an Arup/Parsons Brinckerhoff (Asia) joint venture team which has undertaken the design for the overall development of the project.

seven Maltese companies, in co-operatioo with MOWLEM INTERNATIONAL, wbo will provide a management service. have won a £25m contract to build a terminal at Luga international airport on the island of Malta.

The contract comprises the construction of a five-storey terminal building with reinforced concrete frame, and part precast and part in situ slabs. Cladding will he masonry and local stonework and there will be substantial mechanical and electrical works. External works include roads, a bridge, paving, earth-works, extensive concrete retaining walls, a large water tank and a number of smaller

huildings. The client is the Ministry of Development of Infrastructure in Buckinghamshire The contract - worth nearly and the project is scheduled for completion in 1991.

# King's Cross Railways Bill (Grand Committee Room, West-minster Hall, 10:30 a.m.) and Redbridge London Borough Council

Bill (Room 6, 10.30 g.m.)

121-131 Boundary Hosp, Norwicz, 1130 Reedicut Inti., Institute of Directors, 116 Pail Mail, 12:20 Shanka & McEwen, Albany Hotel, Glasgow, 12:00 BOARD MEETINGS-

Finale: First Spanish Inv. Tst.

Greentriar DIVICEND AND INTEREST PAYMENTS-

Baroness Serota. (Room 16, 5.10 p.m.) Joint Committee Consolidation Bills: subject, Opticians Bill, Wit-ness: Mr James Rennie, parlia-mentary counsel to the Law

Commission. (Room 4, 4.30 p.m.)

construction of 1.5km of twin

HoteL

depot Work on leisure projects, which has grown consistently in recent years, was expected to rise by about eight per cent. This was due to: the continu-ing demand for tourist related dvelopments; the appeal of lei-sure projects as part of urban ton Railway Corporation. The redevelopment aims regeneration schemes; hotel building; and demand for recre-ation centres.

Ove Arup & Partners Hong Kong is the lead consultant in

Expanding airport facilities

NOVITA, a consortium of

FINANCIAL TIMES CONFERENCES BUSINESS WITH SPAIN FORUM: STRATEGIES FOR

1992 & BEYOND Madrid, 6 & 7 November, 1989

With the continuing international interest in Spain, the Financial Times is arranging this Autumn its fourth Business with Spain Forum. To be organised in association with Expansion, the conference will focus on the economic outlook for Spain and Europe end then go on to assess e number of major issues of interest to the banking and international business community. Speakers include: Norman Lamont, HM Treasury; Cleudio Arenzadi Martines, Spenish Minister of Industry & Energy; Luis Carlos Croissier Batista, Comision Nacional del Mercado de Valores; Sire Martin Jacomb, Barcleys de Zoete Wedd; Menuel Guasch Molins, Ebro; Frencois Henrot, Compagnie Bancaire; Emilio Botin Rios, Banco Santander and Marlo Conde Conde, Banesto.

WORLD ELECTRICITY London 16 & 17 November, 1969

The FT World Electricity conference is an Important ennual forum for discussions and assessment of the economic, financial and political issues facing the power industry. This year the agenda emphasises the role of the utilities in a public policy climate that is increasingly hostile to monopolles and favourable to competition. The conference will feature a survey of the prospects for some of the most important electricity systems and will include debate about privatisation in Britain. Among those taking part are: privatisation in ornalit. Anong close taking part are: Robert Malpas, Cheirman Designete of PowerGen; Peter Bradford, Chairman, New York State Public Services Commission; Rémy Carlo, Directeur Générel Adjoint, Electricité de France: Mitsuo Nekajime, General Manager of the Tokyo Electric Power Company and Dr Dirk Kalimeyer, Director, Bheinisch-Westfällsches Elektrizitätswerk AG.

# WORLD PULP & PAPER CONFERENCE

London, 12 & 13 December, 1989

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The Financial Times ninth annual conference, to be arranged in association with the European Paper Institute, will review the changes taking place in the institute, will review the changes taking place in the internetional structure of the business and corporate strategies for the 90s. It will also analyse opportunities for international trade and investment as well as the Impact of technology and innovation, as well as the impact of technology and innovation. Speakers Include: Carl G Björnberg, Central Association of Finnish Forest Industries: Hans de Korver, CEPAC, Bo Wergens, Swedish Pulp & Paper Korver, CEPAC, Bo wergens, Swedish Fullp & Paper Association; Jean Paul Franlatte, COPACEL; Rune Brandinger, Södra Skogaågerna AB; Adam Zimmermen, Noranda Forest Inc; Ian Kennedy, The Wiggins Teape Group Ltd and Jorge Nunez, Torres Hostench SA.

All enquiries should be addressed to: Financial Times Conference Organisation 126 Jermyn Street, London SWIY 40J Tel: 01-925 2323 (24-hour answering service) Telex: 27347 FT CONF G Fax: 01-925 2125

Motion on Police and Criminal Evidence (Northern Ireland) Order. Motion on Clergy (Ordina-Commons: Motions on Water Act Regulatio tion) Measure. Lords: Social Security Bill, third

Transport (Scotland) Bill, third.

eading. Fair Employment (Northern Frinr Employment (Northern Ireland) Bill, report. Select committee: Environment: subject, contaminated land. Wit-ness: Black Country Develop-ment Carporation. (Room 21, 5.15

p.m.)

Temorrow

Commons: Opposition debate on teacher shortages. Motion on SC documents on animal health

Opposed private business after ards: Electricity Bill, third read-

ing. Road Traffic (Driver Licensing and Information Systems) Bill, consideration of Commons

amendments. Dangerous Dogs Bill, second

Motion on Misuse of Drugs Act Motion on Misuse of Drugs Act (Modification) Order. Select committee: Agriculture: subject, supply of beer. Wit-nesses: Lord Young, Trade and Industry Secretary, and Mr Rich-ard Ryder, Parliamentary Secre-tary for Agriculture. (Boom 16, 5

(Room 15, 10.45 a.m.) Energy: subject, future of the UK Atomic Energy Authority. Witnesses: Mr John Collier. chairman, and Dr Brian Eyre and Mr Mark Baker of the authority. (Room 8, 11 a.m.) Home Affairs: subject, drug trafficiency Witnesse. Home Home Anary: surject, urug trafficking. Witness: Home Office. (Boom 15, 4.15 p.m.) Procedure: subject, scrutiny of European legislation. Witness: p.m.) Committees on private bills:

JUST WHEN

YOU THOUGHT THE

10.30 a.m.)

Committees on private bills: King's Cross Railway Bill. (Grand Committee Room, West-minster Hall, 10.30 a.m.) and Red-hridge London Borough Council Bill. (Room 6, 2.15 p.m.) egulations. Lords amendments to the Social Security Bill and the Transport (Scotland) Bill Lords: Local Government and Housing Bill, committee, Representation of the People Bill, committee, Human Orthoge (Tensolant)

Thursday

Commons: Lords amendments to the Electricity Bill. Bill, committee, Human Organs (Transplant) Bill, second reading. Select committees: Foreign Affairs: subject, Eastern Europe and the Soviet Union. Witnesses: Mr William Waldegrave, Minister for Foreign and Commonwealth Affairs, and officials. (Boom 5, 1030 am) Motion on Education (Assisted

Places) Regulations. Lords: Social Security Bill, Commons message.

Local Government and Hous-ing Bill, committee. Fair Employment (Northern Ireland) Bill, third reading. Welsh Affairs: subject, toxic waste disposal. Witness: Welsh

Committee on private bills: King's Cross Railways Bill. (Grand Committee Room, West-minster Hall, 10.30 a.m.) and Red-hridge London Borough Council. Water. (Room 18, 10.30 a.m.) Trade and Industry: subject, annual report of the Office of

Telecommunications. Witnesses: Office of Telecommunications, British Telecom, Union of Com-munications Workers and National Communications Union. (Room 15, 1045 a.m.) (Boom 6, 10.80 a.m.) Friday

Commons: Debate on school edu-cation against drug and alcohol

Lords: Self-Governing Schools (Scotland) Bill, second reading. Licensing Amendments (Scotand) Bill, committee.

Question to Government on history teaching by former staff of Lawse Priory Comprehensive School.

precast concrete box culvert surface water sewers up to 25m · is due for completio 3600mm x 2100mm in size, and 5.4km of foul and surface water December and will provide trunk sewerage for the eastern flank of the town. sewers up to 1950mm in diame-

**Building hotel extension** at Heathrow airport

LAING CHILTERN has an extension to Down Hall received orders worth £33m. Hotel in Hatfield Heath. The largest is a £15m contract to extend one of Heathrow's Bishop's Stortford, Herts. It will involve building a three-storey block containing 58 bedlandmarks, the Excelsior rooms, conference and han-

For this the client, Trustqueting rooms in two storeys house Forte (UK), has given Laing the challenge of building the 258 bedroom extension in and a single-storey kitchen extension. The London Borough of Hil-lingdon has awarded a £5.1m contract for the refurbishment just 59 weeks. To help achieve this, the structure has been designed to enable a tunnel of two nine-storey hlocks of flats in Pantile Walk, Uxbridge. form system to be used whereby a series of walls and the floor above are cast in sin-The company has also won a £3.9m contract to rebuild the fire damaged Dickens and gle operations, thereby considerably speeding up the frame construction. The Y-shaped building will be fully air condi-Jones store at Milton Keynes for Postel Property Services and the £5.1m refurbishment of

tioned and fitted out to four star plus standard.

A 13.6m contract has been awarded by Veladail Hotels for Park Estate for the London Borough of Harrow.



# Refurbishing housing

HALL & TAWSE, the construction division of Raine Industries, has won over £20m worth of contracts. Hall & Tawse Southern is to start shortly on a £7.25m refurbish-ment of 242 houses for the Test Valley Borough Council. The project concludes remedial works for the GLC overspill scheme on over 1,600 homes in Andover.

A £2.7m face-lift to Corporation Square in Birmingham's main shopping centre is already under way. The work, due for completion next May, features glass roofed walk-ways, lockable entrances, per-manent market stalls and a 65 ft clock tower.

Hall & Tawse Scotland has won a £1.5m three-storey office block contract at Traquair Park East Edinburgh. The project is scheduled for completion in 12 months. Other awards include a £1.2m housing project in Lossiemouth.

A TIMELY INTERNATIONAL FINANCIAL FORUM

The single European market in financial services opens in key European markets in October 1989, with the application of the UCITS directive. At Money Europa '89, leading figures in the European Commission, governments and the industry will address delegates on the following

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Papers presented by experts in all major fields of finance will help you to assess the extent to which you are prepared for the single market in Europe and to formulate your strategies in terms of product development and market penetration. Attention will be paid to distribution and asset management, in particular life insurance and pensions.

Building on the success of Money Europa '88 in Brussels, Money Europa '89 will take place in Edinburgh , a leading European financial centre. Supported by the Scottish Development Agency and the Scottish Financial Enterprise, this event is almod at an international audience and will provide financial professionals with a valuable update on the progress being made in all main branches of the industry as we move towards the goal of a single European market.

To receive further, information, programme and registration details, please complete and return the attached form to: MONEY EUROPA 89 SECREYARIAT, MEETING MAKERS, 50 RICHMOND ST, GLASGOW G1 1XP, UK

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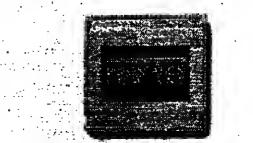


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# LEGAL COLUMN

# **BASE METALS**

# Lawyers come face to face with competition

The Financial Times proposes to publish this survey on:

# 2nd October 1989

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FINANCIAL TIMES

**By Robert Rice** IT IS A touch ironic that, as the legal profession struggles to come to terms with change in its market and anxiously awaits the Government's final plans for reform, sound analysis and advice on the issues facing law firms should come from a sector of industry with which it may soon find itself in direct competition: the accoun-The advice in this case comes from Spicers Consulting Group, the consultant arm of Spicer & Oppenheim Interna-Spicer tional. Its basic premise, which is difficult to fault, is that lawyers need to recognise that their business is an industry rather than solely a profession. Firms that delay accepting what that implies will find that their businesses deteriorate. Law is as much an industry as any other. Firms compete for clients, they offer similar services and they compete on a similar basis.

Firms are finding that they need to manage growth and profitability in much the same way as any other business. Those who refuse to accept greater competition in the industry will find their new clients become fewer, and exist-ing clients drift away, putting pressure on fees and on profits. Lower profits make it harden to attract high-calibre staff and a vicious "competition trap" begins to take hold.

For some the answer will be to merge; but the rush into merger just to be bigger without undertaking a proper anal-ysis of why greater size is nec-essary is asking for trouble. According to Spicers, the main pressure for change comes from client companies and not, as some solicitors

> Most clients want to 'shop around' to find the best firm in a specialist area

have argued, from within the have argued, from within the profession as "aggressive new boys" upset the traditional way of doing things. The sama is true of the green and white paper proposals, it says. Those proposals covering multi-disciplinary practices, multi-disciplinary practices.

multinational partnerships and changes in conveyancing are not the prima movers for change

They are merely facilitators of change put forward in recog-nition of the increasing demands hy clients and are directed at ensuring that the legal industry responds to market pressure. The growing complexity of

has also cre-

LEGAL APPOINTMENTS

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ated the need for greater speci-alisation in the legal advice sought by big clients. Spicers' research indicates that most clients want to "shop around" to find the best firm in each specialist area. The tradi-tional notion that one firm can deal with all of a client's probdeal with all of a client's prob-

lens is vanishing. Firms that cling to the notion that their clients want to use them for everything are probably not aware that their long-established clients are tending to buy from them only the routine, low-value services. The high-value services are going to competitors that have understood the trend in client demand and have created specialist service areas. Some firms have epecialised for many years, particularly in areas such as shipping, but the typical response to client demand for specialisation has been for one or two partners to start taking a particular inter-est in a specific field.

Initially such partners have retained their interest in gen-eral practice. But firms have found that they cannot compete with others where part-ners have started devoting themselves on a full-time basis to areas in high demand from corporate clients. Clients have seen through

superficial specialisation and taken their husiness to firms that can demonstrate true specialisation.

These are large firms which can devote a number of part-ners and support staff on a full-time basis to particular complex areas of law.

In response to the trend, some smaller firms have con-cluded that the only answer is to merge. Much of that is historical.

The question is what effect this change in markat conditions has had on the profession and what are its likely effects over the coming decade. Increased competition has

resulted in tremendous growth for many of the larger law firms - through organic development and mergers. Size is seen as critical in their success and looks set to dominate their thinking in the years ahead. At the other end of the scale

there are many two and threepartner firms, mainly in the regions, that get most of their work from local businesses and private clients.

Spicers predicts that such firms will face increasing presdecade as they try to maintain their high profits while facing increased competition from

larger firms. Some small firms, it says, will survive on lower profits, others will merge or break np. A few will find enhanced profits hy adopting a strategic management approach. They can either become a

"high-volume, low-value-added

firm that successfully lever-ages partner time acroes a large volume of work;" or become a "true niche player, offering a limited range of higher-value-added services within a defined and narrow

market. In the middle are the medi-um-sized firms, and Spicers are

The critical factor for success is strong strategic leadership

not alone in predicting that these firms, with between 50 and 250 fee earners, are the most at risk over the next 10

That is because they are not big enough to offer the same depth of skill across the board as the large firms, yet they have similar ovarheads, cost

structures and clients. Their corporate client busi-ness will come under increasing pressure from the large firms, the small firms will pick off their private-client work by undercutting them on price, and the niche firms will take away their specialised high-The critical factor for suc-

cess, or avoiding disaster, in this changing market will therefore be strong strategic management and leadership, Spicers says. The accountants who rushed into mergers in the belief that hig was best in the 1950s and 1970s, as law firms seem deter-mined to do now, have only during the last few years started to address the true stra-tegic consequences of their tegic consequences of their

tegic consequences of their actions, it says. The higgest obstacle to proper strategic management are the partners themselves. Many of those convinced of the need for change will vote for merger without giving much thought to whether this is the best policy for their firm. best policy for their firm.

Others, while accepting the need for change, find it diffi-cult to accept any of the options because they fear each one will demand something new of tham. In consequence they prevaricate and squabble and pick holes in the apparent belief that if they argue long enough the whole thing will go

enough the whole thing will go away. The message from Spicers is clear: the need for change will not go away. Only those firms which adopt strong strategic leadership and management at the top will succeed in convert-ing most partners to the need to change, and will then be in the position to take the necesthe position to take the necessary action to achieve success in a changing market.



This medium sized company is a household name, renowned throughout the world for its

branded consumer products. From its Group HQ in Sussex, an extensive chain of subsidiaries control manufacturing and sales operations in more than 120 countries, with turnover exceeding £140m.

A new position of Assistant Company Secretary has been created which reflects the growing needs of maintaining a professional Secretarial service to the Group Board and operating companies. Reporting to the Group Secretary, the position offers an unusually broad scope of responsibilities within an aggressive and fast moving business with a commitment to quality. Candidates will ideally be of graduate calibre and qualified ICSA, but more importantly will have sound experience in broad secretarial duties with a sophisticated, perhaps plc, multinational. Flexibility, initiative and flair will be essential.

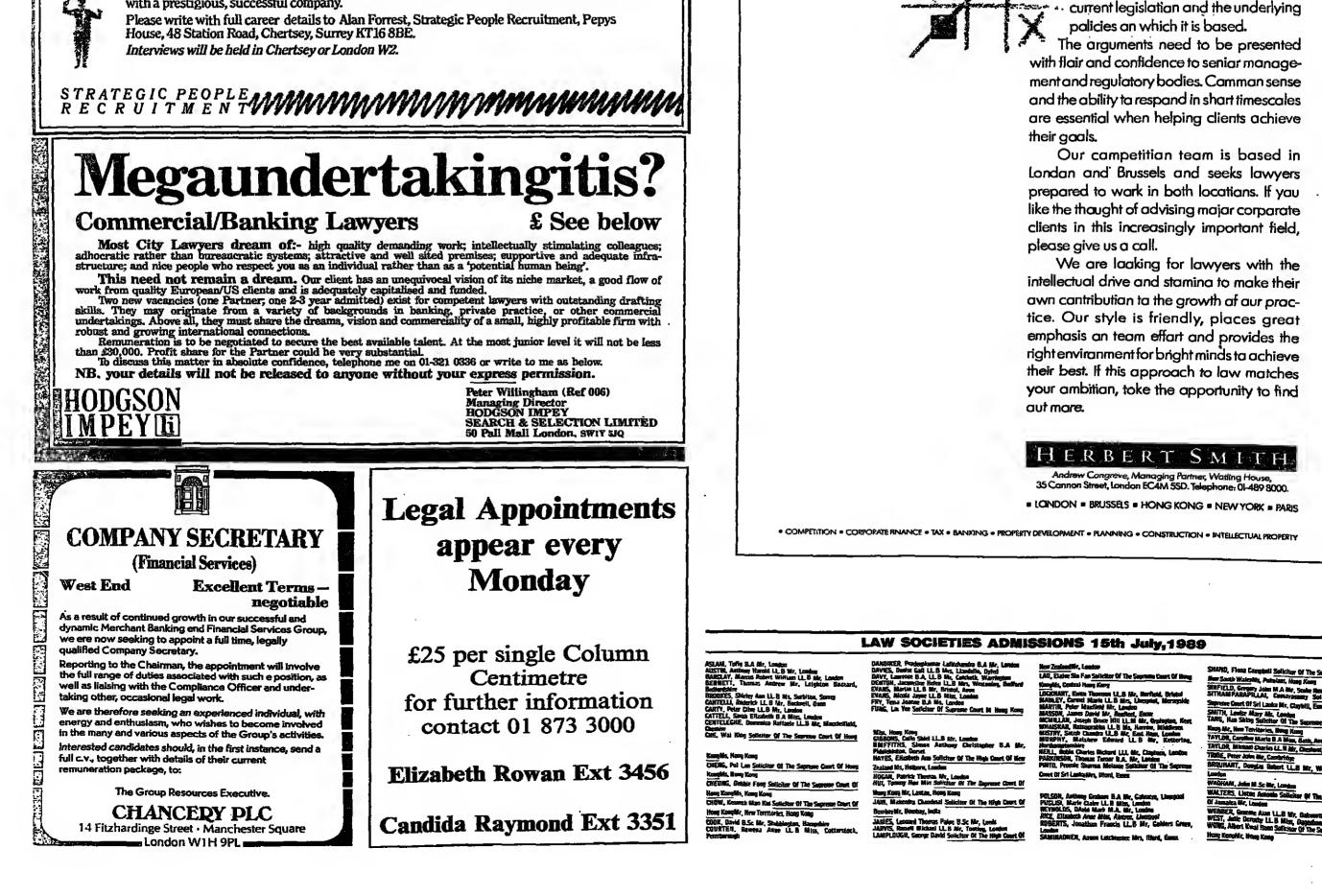
Salary is negotiable circa £22.5k plus car, non-contributory pension and other benefits, including relocation assistance where appropriate. Scope for career development is excellent with a prestigious, successful company.

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# understanding = competition

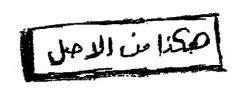
Through mergers, acquisitions and trading agreements aur clients seek campetitive advantage in their marketplaces.

But the playing field is not always as level as they might like. Such carparate developments are increasingly subject to review by EEC and UK autharities, whase decisions can have a critical impact an profitability and investment strategies. The rale of our competition team is ta focus rapidly an the key issues with clanty and a fundamental understanding af aur clients' business,



ah Waleshis, Pat SIRFIELD, Greaty Join M.A. Mr. Son ane Court Of Sri Lanks Mr. Chrybill MITH, Louise Mary Aks, Louise ANG, Han Saloy Solicitor Of The Supr oy Mr., New Territories, Hong Kong YLOR, Caroline Maria B.A.Miss, Bath, J YLOR, Michael Charles LL.R Mr., Chesh BE, Peter John Mr. bert LL.S Mr. West Kes John M.Scille, Lo

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MANAGEMENT

FINANCIAL TIMES MONDAY JULY 17 1989

henever a baby grand piano trun-dles between buildings at the Yamaha Corporation's factory in Hamamatsu on the Pacific coast of Japan, it is heralded by the electronic notes of a Beethoven symphony to warn the workforce of its arrival in a new area.

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The Yamaha factory com-bines the sort of traditional skills that have been used in piano production for decades with the most modern robotics. The combination of old skills and new technology has turned it into what it claims is the

Today, Yamaha's engineers are considering the feasibility of replicating the feasibility plant at a group factory at Michigan in the US. The logistics of installing the same machinery seem simple. But the problems involved in training new employees and instill-ing the discipline of the Japa-nese plant will be formidable.

Yet these same engineers are in the process of reproducing Japanese plants in the US and Europe for a wide range of musical instruments. Having dominated the international musical instrument market from Japan for decades, Yamaha is becoming increas ingly involved in overseas pro-

Yamaha, like so many other Japanese corporations, is set-ting up localised production plants to tackle the problems of an uncompetitive currency, fierce price pressure from the emerging industries of Taiwan and South Korea and the maturity of the international marketplace. In the past year or so

inks forged by companies with schools and universities dare beginning to be treated as an issue deserving serious manage ment analysis, one of the clearest signs yet that the topic is forcing its

way up the business agenda. Not so long ago, senior managers tended to dust down their educational activities for a photo in the annual report and then forget them for another year. Awareness of the difficulties facing employers in recruiting young people in the next few years, coupled with a push from government for more contact across the business-education divide, is beginning to change that.

Some large companies are now spending considerable sums of money and devoting significant management time to their educa-tional activities. But this reises the problem of assessment. Should an enterprise try to import standard management disciplines from its

Yamaha Corporation of Japan Playing an international tune

the second s

Alice Rawsthorn on the musical instruments group's need to manufacture overseas

scratch. The Yamaha Corporation is now one of the largest manufacturing groups in Japan and the world's biggest musical instrument maker. Yamaha now dominates the world markets for planos, wind instruments, percussion and electronic instruments. Yet the musical instruments market is now mature and Yamaha faces flerce competition in piznos and wind instruments from the emerging industries of South Korea and Taiwan.

Yamaha has staged a series of acquisitions in the West. It has won control of the Kemble piano company in the UK and acquired an interest in Schim-mer of West Germany. Yamaha has hought Deagan, the US percussion company, and the Premier drum business in the UK. It is also expanding its wind instruments factory at Michigan in the US.

Yamaha's management has no illusions about the logistics of operating as an interna-tional manufacturer. "There is no cost or quality advantage in manufacturing in Surope or the US" carp to Yochida and These emerging producers have taken advantage of com-paratively low labour costs and competitive currencies to undercut the established manthe US," says Jos Yoshida, gen-eral manager of corporate plan-ning at Yamaha Corporation of Japan. "But in the long term it is the only thing to do if we are to improve our service and

problems are compounded by the fact that sales of electric become more flexible in the international market." organs, or the electone which is its most profitable musical product, are actually declining. The rationale for Yamaha's

The story of Yamaha Corporation begins in the Hamamatsu of the 1889s when the school organ broke down and Torakusu Yamaha, a local engineer, was asked to mend it. He was so intrigued that he set about building one from scratch The Yamaha corporation is now one of ments provided 70 per cent of its 78.4bu ments provided 70 per cent of its Y8.4bu (£37.3m) net income and 60 per cent of its Y467bn (£2.1bn) turnover in the year to March

31 1988. Similarly Yamaha Motor, the motorcycle and engineering group in which it has a 35 per cent share, has performed poorly for several years. It is against this background of erratic prof-its and sluggish sales that Yamaha Corporation begun its thrust into overseas production. has

The group has only partly been investment in overseas production is simple. The interna-tional market for musical instruments is mature. As marahie to compensate by strengthening its fast growing digital instruments activities, which include portable key-boards and synthesisers. The logical solution would be to transfer production from

ket leader it thus has little scope for sales growth. The growth of the emerging south east Asian economies in be to transfer production from Japan to lower cost centres in south east Asia. It already does so in guitars. Similarly it is involved in plano production - of cheaper models - in Taiwan and Indonesia. The group is now constructing a single keyboard plant in China, scheduled to open in spring next year. In the longer term it may consider making drums in south east Asian economies in musical instruments poses a parallel problem. South Korea has recently become a force in planos and China now threat-ens to follow suit, while Taiwan is increasing its pres-ence in wind instruments. may consider making drums in a low cost country. But the level of skill and quality control involved in

ufacturers like Yamaha. For Yamaha these general making the most of Yamaha's instruments is so high that it does not consider production in south east Asia to be work-able. Yoshihiro Kaji, director of

the band and orchestral instrument division, says it has taken three years to achieve satisfactory quality in Taiwan even for the relatively simple electric guitar. Instead Yamaha has opted to

stave off low cost competitors hy concentrating on val-ue-added product areas where they are not yet competitive. In Japan this strategy has involved channelling resources into the development of more

sophisticated producta. In pianos, for example, while the growth in unit sales has slowed there is a trand for people to treat themselves to more expensive products. Yamaha is investing heavily in the development of naw

products like the Disklavier products like the Diskiavier, which combines acoustic and digital technology to record and play back the music played on the piano. The group is pursuing the same strategy of concentration on value-added products over-seas. But it is also investing in localized emotion in Even

localised production in Europe and the US to improve its standard of service, as well as to overcome the economic prob-lems of a strong currency and

work by creating the Yamaha Corporation of Europe and the Yamaha Corporation of America to act as sales and market-ing centres for those regions.

These new divisions are staffed both by indigenous are star-tives and hy Japanese manag-ers who take responsibility for regional marketing initiatives. Strategic decisions about the location of production and product launches are still made in Japan, however. At the Kemhle plant, which

Yamaha bas already begun to re-equip and adapt to its own Similarly it will lose flexibil-ity in that it will be less able to production specifications, Japa nese managers oow work alongside the original Kemhle management, Teams of engineers have heen dispatched from Japan, while Kemhle employees have visited its Jape factories.

Yamaha is convinced that localised production is essential for the future, but it does not see it as a panacea. One and North America is the same as in south east Asia: securing Japaoese standards Yoshihiro Kajl estimates the

17

present productivity level of Premier at 60 per cent of a comparable plant in Japan. Even after refitting, he does not expect this to rise to more than 90 per cent. The instruments factory at Michigan, for example, was hult as replica of Yamaha's Japan factories yet it has nover achieved more than 90 per cent of their productivity.

The reason for the shortfall, says Kaji, is the quality of the workforce. "Everything at Michigan is the sama as in Japan," he says. "But we cannot make the Americans as efficient as our Japanese workers.

# How IBM is adding value to its educational activities

David Thomas on the results of a year-long study by the computer group's UK subsidiary

was able to identify which function should be responsible for particular types of educational work. In the

past, for example, a link with a school was treated as a community

more mainstream work into this at least partly philanthropic sideline? The British subsidiary of IBM, the

world's largest computer company, has just completed a year-long review which was designed to find a coherent management framework for its educational activities.

"We invested a lot in the schools sector and in higher education, but it was difficult to measure the value of this investment," explains Gerry Wade, who is in overall charge of IBM's educational activities. Step one was to identify IBM's

investment, when really it was part current interests in education. A matrix was constructed isolating of IBM's marketing strategy. This helped it lay down a clear four main educational activities: policy for its educational activities. schools, education and training for For instance, many of its commu-

16-19 year-olds, higher education and adult education. These four nity investment decisions were purely reactive. "There were an awful lot of ad hoc responses to requests. We needed to look moch activities were then plotted against five key IBM operational interests; development of its market; influencmore carefully at why we were doing things," explains Alastair Bruce, who is in charge of links with schools. ing the public policy debate; recruit-ment and training; investment in the community; and research. From this matrix, the company

The company decided to concen-trate on educational activities to which it could "add value," to use the jargon beloved by IBM insiders. This meant that the straight dona-tion of computers to schools is increasingly frowned upon, whereas using IBM's expertise to offer man-agement training to teachers is typical of the activity it wants to encourage,

The final piece of the jigsaw was to appoint executives for each type of educational link. Previously up to 40 senior managers beld some responsibility for this field. Now it is down to a handful.

"Issue ownership," to slip into the jargon again, is underpinned at corporate level by a new IBM education and training committee. Its views will be transmitted to an edncation co-ordinator at each of the company's major sites, whether office block, factory or laboratory. The job of the co-ordinators is to encourage employees on their sites to take an interest in educational activities within the framework laid down by the company nationally,

Their task is helped by IBM's policy of allowing staff op to 10 per cent of their time off for approved community activities, such as being a school governor. To give the process bite, part of

the co-ordinators' merit pay rises depends on how well they develop educational links with their local communities.

It would be easy to criticise IBM's structure as overly bureaucratic. On the face of it, the company has taken a large sledge bammer to what is still a comparatively small nnt. For although its community investment budget in education is building up, it is still only just over

When IBM executives are quizzed on their new approach, however, it soon becomes apparent that the model is not as rigid as it sounds on paper. For a start, Gerry Wade and his team are rather more forthcom-ing about the cort of activities they ing about the sort of activities they would like to encourage, than those they would like to discourage. They want to avoid the impression that a rigid line is handed out from the centre. Each site is free to mould its priorities to local circumstances. The company does not try to direct the way its employees spend their community service.

Moreover, IBM recognises the difficulties in measuring the value to the company of, say, an office twin-ning with a local school. The type of educational activity the company chooses to concentrate on is bound to remain, in the end, partly a matter of intuition.

# In Japan, its plano plants are supplied from its own iron foun

disadvantage is that it will be unable to replicate the vertical structure it has established in Japan where it supplias its piano plants from its own lumber-yards and iron foundrics. Such a structure provides economies of scale in sourcing raw materials because Yamaha can select the most suitable

narts of the same piece of wood

for different products.

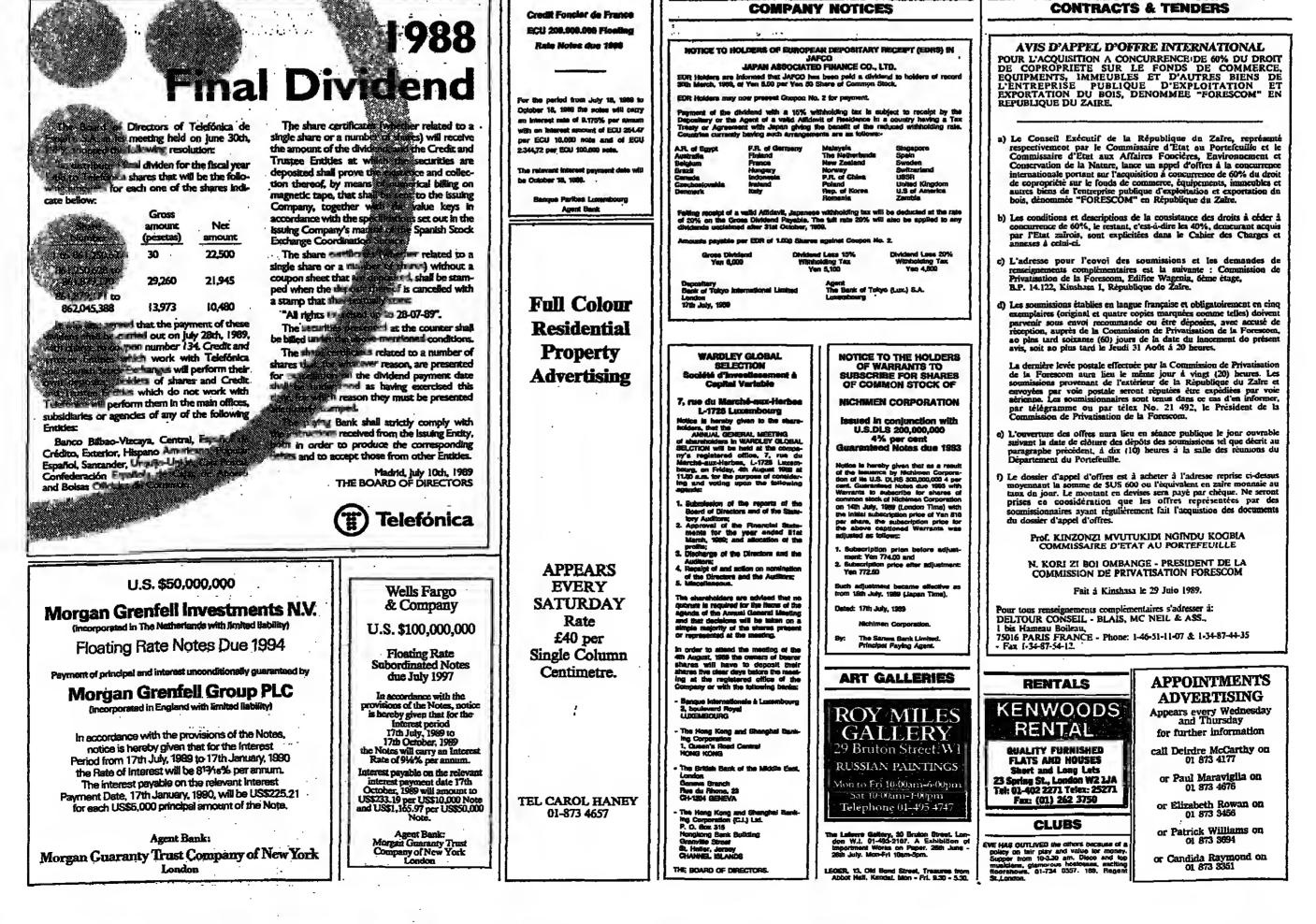
divert products from market to market, to suit fluctuations in demand. At present if demand

for a certain type of drum is unexpectedly high in the US, then supplies can be diverted directly from Japan from less buoyant markets in Europe. But the chief obstacle to localised production in Europe

£2m a year.

**CONTRACTS & TENDERS** 

high distribution costs. Two years ago Yamaha laid the foundations for a more extensive international net-



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Senior posts

at Air ÚK

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825	Armitage and Rhodes	33 33	1+1	2.1	6.2	8.0	POSO
2732	BBB Design Group (USN) Bardon Group (SE)	193rd	ŏ	2.7	1.4		BRITISH GAS has appointed
21466	Bardon Group Cv. Pref. (SE)	123ar	+4	6.7	5.4		Mr Jack Lee Gregory as HQ
5867	Bray Technologies	97	-1	5.9	6.1	8.6	MIT JACK LEE GIEgoly as Int
	Brembili Conv Pref	105	ā	11.0	10.5		director and general manager
	Bremhill B4 New C C.R.P	104	ō	11.0	10.6	-	(designate), London, in the
1091	CCL Group Ordinary	287xd	-1	14.7	5.1	35	exploration and production
2100	CCL Group 11% Conv Pref	168	0	14.7	85	-	division. He was with Tenneco,
16740	Carbo Pic (SE)	220	+3	7.6		12.4	and following its acquisition
770	Carbo 7.5% Pref (SE)	110	0	10.3	9.4	-	became vice president and
15592	George Blair	845m	+10	12.0	14	18.7	general manager of BG
10275	Las Group	129	-1	B.0	6.2		Services (US) Inc, Houston,
26409	Jackson Group (SE)	123m	+6	3.6	_	14.3	Services (US) Inc. Housida,
22223	Multitiouse N.V.(AmstSE)	265	-15 0	10.0	7.1	5.1	where he is succeeded by Dr
1428	Robert Jenkins	140 465srs	ŭ	18.7		12.3	Arthur O. Beall Jr who was
20925	Scruttons	290xd	ŭ	93		10.1	exploration manager at
8963	Torday & Carlisle Torday & Carlisle Conv Pref	116	ŏ	10.7	92	TO'T	Tenneco, Mr Adrian Webh has
4475		104	-2	2.7		11.2	been appointed personnel
1	Uniserat Europe Com Pref	125ad	+2	93	7.4		controller of the division, Dr
6435		390	0	22.0	5.6	9.3	Ken Bray becomes controller,
7504	W.S. Yestes	335	0	16.2	4.8	27.7	corporate services, Mr Brian
Stock Exch These Secur	designated (SE) and (USM) are deald sange, Other securities listed above rities are deall la strictly on a make Javies Umrited are market makers in	are dealt is bed bargain	n subject to 1 tasks, field	the rales (	of TSA		Murphy financial controller, and Dr Paul Collins manager, planning and development.
l erannine r	Sames Cultured Ste market markets in	1 (11636 3051					ICL, information systems
Granvalle &	Co Jud			Jestivalle D		- below	subsidiary of STC, has
	c. London ECIR SBP	1.1	S Louat L				appointed Mr Warwick
Telephone 0		<b>1</b> -7		phone 0			Morgan as director of ICL
Member o		Comber o	f the Stoc				RETAIL SYSTEMS (UK). He
Menner c		NUMER OF	1 1112 3142	i i i i i i i i i i i i i i i i i i i	110 00 1		RETAIL SISTEMS (UK). He
						•	was previously in Denmark
							where he was managing the
		_					integration of Regnecentralen,
							STC'a Danish subsidiary
							acquired in September 1988.
							andance in policimost more
				_	_	_	Mr T.D. Dingwall has been
LC INDEX	LTD, 9-11 GROSVENOR	GARD	ENS LO	NDON	รัพโห	V OBD	BIT T.D. Dingwan has been
I.G INDEA	LID, 7-II GROSVENOR	GAND		Code			appointed managing director
Tel: 01-82	8 7233/5699 An AFBD	membe	r keute	rs Code	e. nain	, 1910	of ALCAN CHEMICALS,
	T 30 FTSE	100		WALL	STREE		British Alcan Aluminium's
1.1 1005	5/1904 +19 Jul. 2284		25	1 254	7/255	2 +4	chemicals division, from
San 101	4/1923 +23 Sep. 2304	2314 -	17 5	p. 255	4/256	6 +2	August 1, when Mr J.C.
JQ. 171-							Armstrong retires. Mr

Armstrong retires. Mr Dingwall joined British Prices taken at 5pm and change is from previous close at 9pm Aluminium In 1965. After the

# merger with Alcan in 1983 he became managing director of BA Chemicals, part of the chemicals division. Mr Armstrong has been armsing a non-argenting itish Gas ploration appointed a non-executive director of JONES AND SHIPMAN.

KEMPER INVESTMENT MANAGEMENT CO has appointed Mr Terence Prideaux as an associate director responsible for the management of fixed interest portfolios. He was head of the bond research group at Daiwa Europe. Kemper is UK subsidiary of Kemper Financial Services, Chicago.

BRITISH BIO-TECHNOLOGY GROUP has appointed Mr Brian Dovey

as a non-executive director. Mr Dovey recently joined Domain Associates, a shareholder of British Bio-Technology, as a general partner.

Mr Paul Byrne, managing director of Novacold, is to become an executive director of TDG SOUTHERN.

 Mr Graham Samnel has been appointed managing director of FRAME CLOTHING. He was previously with Marks and Spencer.

GARTMORE INVESTMENT has appointed Mr Philip Butt as managing director of Gartmore Investment Trust Management from August 1. He was a director of BZW Research,

# **APPOINTMENTS**

600 Group. He was a director and a geoeral manager et

Mr John Walters has been

elected to the board of BROOKS SERVICE GROUP

and made managing director

of its subsidiary. Brooks Cleaning Services. He takes

resigned from the board of Brooks Service Group. Mr

Black is to leave the group

later in the year to pursue

other activities.

over as managing director of Brooks Cleaning Services from Mr Bill Black who has

Mr Jeremy Knight, (above), general manager, has been appointed to the hoard of

NATIONAL EMPLOYER'S MUTUAL GENERAL INSUR-

ANCE ASSOCIATION.

Chloride Legg.

# **Promotions** at Courage

COURAGE has made the following promotions. Mr Dick Hayes, director - sales, to executive director - property and retail; Mr David Clayton Smith, director - regional sales (east), to executive director sales and marketing; Mr Nick Holmes, director - marketing, to executive director -European operations; Mr Peter Ward, director - production (Tadcaster brewery), to executive director - brewing; Mr Brian Scholey, director distribution operations, to executive director -distribution; and Mr Mike Reynolds, director - public affairs, to executive director - public affairs.

Mr P.M. Synott has been made a director of C.T. BOWRING REINSURANCE.

Mr V.L. Sankey is appointed a director of RECKITT & COLMAN on September 1. At the end of 1988 he was made president of Durkee-French in the US. Mr O.T. Parmenter will be returning to Australia during November at which time he will resign from the board of Reckitt & Colman.

 CLYDESDALE GROUP, electrical retailers, has appointed Mr Neil Dunn as a non-executive director. He was a director of Ivory and Sime.

■ Mr David Mends is to become managing director of ARMOUR BARPAK. He will **E** Dr G.A. Asbworth has become managing director of STARTRITE MACHINE TOOL COMPANY, a member of the retain his position as financial director of the parent company, Nasb Industries. Mr Alan Squires is promoted to sales director following Mr Chris Posnett's appointment as productico director. Mr Alastair David bas become financial director.

> a Mr Larry C. Anderson has been made managing director of SEAFARER INTERNATIONAL, a Standard Communications company. He previously held a similar positioo at Raytheon Marina Company's European headquarters in Denmark.

Mr Joseph Burnett-Stuart, chairman of Robert Fleming, and Mr Stuart Gordon Cameron, former chairman and chief executive of Gallaher, have both become non-executive directors of the **ROYAL MINT management** board.

EDINBURGH FUND MANAGERS has appointed two board directors, Dr Paul Michaei Whitney and Mr Alex Gowans. Mr Gowans is head of the company's UK department. Dr Whitney, chief executive of CIN Management, becomes a non-executive director.

Mr Ian Musgrave is to join NATIONAL POWER as treasurer in the autumn. He is currently group treasurer at Plessey.

Ms Jane Gilbert, partner-in-charge of husiness services at COOPERS & LYBRAND's Birmingham office, has been appointed the firm's first national director of husiness services.

Mr Jim Ratcliffe has joined ADVENT as director of advanced materials investment. He joins from Courtaulds advanced materials division where he was a director.

ALLIED-LYONS has appointed Mr W.E. Mason as a non-executive director. He retired in January from the Ministry of Agriculture, Fisheries and Food, where he had been deputy secretary (fisheries and food) since 1982.

Mr Michael Cox and Mr Florian Walewski have been made directors of TRANSPORT DEVELOPMENT GROUP in addition to their current responsibilities within the group.

is made sales director, a new post. Mr Frost sncceeds Mr Stephen Hanscombe who, as part of a management reorgan-isation in May, became group managing director for the three operating companies (Air UK, Air UK Leisure, and Air UK Engineering) that make np the Air UK Group. Mr Frost's career has been in car rental, first with Hertz, and then with Endget Rent a Car, where he was managing Car, where he was managing director of a subsidiary. Ms Halford was sales operations manager with British Midland Airways.

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Dr Rodney Leach has joined JASMIN as a non-executive director. He was founder, chief executive and managing director of VSEL.

Two appointments have been made by AIR UK. Britain's third largest scheduled airline. Mr Rohert Frost (above)

becomes managing director on July 24, and Ms Hilary Halford is made sales director, a new

Mr John Clark has been promoted to director of marketing at NATIONAL ADVANCED SYSTEMS EUROPE CORPORATION. He was director of peripherals marketing.

STORAGE TECHNOLOGY Hillier-Brook as UK managing director. He was director of European operations for Emulex.

From August 1 Mr Gerhard Schonbeck becomes managing director of SKANDIA U.K. INSURANCE. He is deputy managing director of Stockholm Re, and succeeds Mr Anthony Armstrong who becomes director of marketing for REO, as senior vice president.

Mr Michael Shane Reilly has been appointed managing. director of SONATEST He was financial controller.

# There are some little things we just can't overlook.

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On the whole, our passengers enjoy flying with us because we know our job inside out. And we have done everything to take account of their needs and wishes. Business people in particular appreciate arriving nobody can foresee. After all, comfortably and relaxed at their destinations. Thoroughness is something which we Germans have in our blood.

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Ms Mary Otto (above) has been appointed to lead the reinsurance division of SPECIAL RISK SERVICES. She was senior vice president and director of reinsurance with AMBAC Indemnity Corpora-tion of New York (subsidiary of Citibank).

GRANADA TV & VIDEO has made the following promotions. Mr Gordon Starling becomes purchasing director, Mr Mike Neal commercial director; Mr John Day operations support director, and Mr Mark Thomas marketing director.

CIM INTERNATIONAL, Fareham, has appointed Mr Jim Wilson as managing director. He was managing director of Van Ommeren Ceteco Group, and succeeds Mr Paul Wright who becomes deputy chairman and chief executive. Mr Ian Allely has been appointed finance director. He was managing director of Hndson's Bay & Annings.

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NOTICE TO HOLDERS OF

# SUMITOMO CORPORATION (SUMITOMO SHOJI KAISHA, LTD.)

Warrants to subscribe for shares of Common Stock of Sumitomo Corporation issued in conjunction with

the U.S. \$120,000,000 4% per cent. Notes Due 1991 (the "1991 Warrants") and the U.S. \$400,000,000 1% per cent. Notes Due 1992 (the "1992 Warrants") and the U.S. \$1,500,000,000 4 per cent. Notes Due 1993 (the "1993 Warrants")

Notes Due 1995 (the "LTFS WALTTAINS")
Porsuant to Chause 4 of the instruments dated February 6, 1996, June 15, 1987 and June 27, 1969 under which the above Warrants were issued and Condition 7 of the Terms and Conditions of the above Warrants were issued and Company resolved to make a free share distribution of its Common Stock to shareholders of record as of September 20, 1989 (which fails on a non-business day and is effective as of the close of Immines on September 29, 1989, Japan time), at the ratio of one share fails on a non-business day and is effective as of the close of Immines on September 29, 1989, Japan time), at the ratio of one share fails on a non-business day and is effective as of the close of Immines on September 29, 1989, Japan time), at the ratio of one share fails on a non-business day and is effective as of the close of Immines on September 29, 1989, Japan time), at the ratio of one share fails on a non-business of the close of Immines on September 29, 1989, Japan time), at the ratio of one share fails on the current market price per ahare.
(1) Japanee Yen 50,000,000,000 1.4% Convertible Bonds due 1998
(2) Japanee Yen 50,000,000,000 1.4% Convertible Bonds due 2004
(3) U.S. \$1,500,000,000 4% Notes due 1993 with Warrants

(2) Japanese Yen 50,000,000,000 L5% Convertible Bonds due 2004 (3) U.S. 31,500,000,000 4% Notes due 1963 with Warrants Accordingly, the subscription prices of the Warrants ware adjusted effective as of June 28, 1983, The subscription prices in effect prior to such issnance of the Notes and Bonds were Yen 712.50 per share of Common Stock for the 1991 Warrants and You 1,223.90 per share of Common Stock for the 1992 Warrants, respectively, and the adjusted subscription prices are Yen 704.10 per share of Common Stock for the 1991 Warrants and Yen 1,209.00 per share of Common Stock for the 1992 Warrants, respectively. 4. The subscription prices of the Warrants will be also adjusted effective as of October I, 1998. The subscription prices in effect prior to such fran share distribution park year 704.10 per share of Common Stock for the 1991 Warrants, Yen 1,209.00 per share of Common Stock for the 1992 Warrants, Yen 1,209.00 per share of Common Stock for the 1992 Warrants, Yen 1,302.00 per share of Common Stock for the 1993 Warrants and Yen 1,183.60 per share of Common Stock for the 1993 Warrants and Yen 1,183.60 per share of Common Stock for the 1992 Warrants

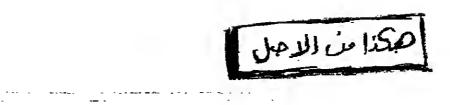
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**Arthur Young** 

Dated: July 17, 1989

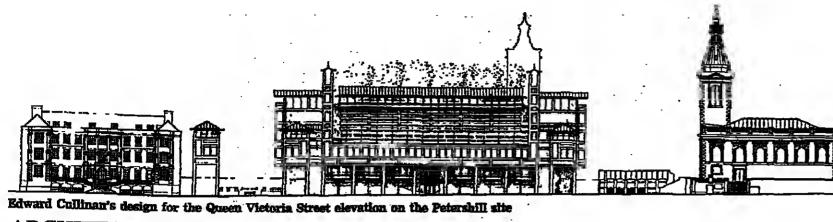
# A MEMBER OF ARTHUR YOUNG INTERNATIONAL Anthur Young, 7 Rolla Buildings, Fatter Lane, London ECAA INTL



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# ARCHITECTURE

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# In search of civic dignity

Colin Amery on the new plans for St Pauls

the reminders of the French Revo-lution and the endlessly repeated strains of the Marseillaise that rang our all over France last week. If nothing else, the calebrations reminded us how strong was the belief in a new world for the revolutionaries. Not content with the overthrow of "an executive that does not act," the leaders were so confi-dent of their ability to make all things new that they changed the calendar -making 1792 Year One. It is this sort of confidence in the new that many people would like to see

that many people would like to see restored in Britain, especially when it comes to architecture and design of the comes to architecture and design of the cities. It is forcibly brought to mind by the restoration of civic dignity and pride in the capital so evident in the "new" Paris. President Mitterand, with his series of *Grands Projets*, follows a tradition of urban grandeur that is, in

some ways, alien to the British. It is interesting to recall that when the leaders of the new American repub-lic wanted a fine new plan for their capital Washington they turned to a Frenchman, L'Enfant. Whan in England for a brief moment the England, for a brief moment, the Edwardians rebuilt London on a modestly monumental scale with Admirally Arch, improvements to The Mall and the gradual development of Kingsway and Aldwych, the nation was in the embrace of the Entente Cordiale\_

While the French taste for urban splendour does not seem to be shared by the British, no one can avoid a terri-

It would be a strangely impervious character who did not respond to the reminders of the French Revo-lution and the endlessly repeated in the reminder of the French Revo-lution and the endlessly repeated in the reminder of the french Revo-lution and the endless is repeated in the reminder of the french Revo-lution and the endless is repeated in the reminder of the french Revo-lution and the endless is repeated in the reminder of the french Revo-lution and the endless is repeated in the reminder of the french Revo-lution and the endless is repeated in the reminder of the french Revo-lution and the endless is repeated in the reminder of the french Revo-lution and the endless is repeated in the reminder of the french Revo-lution and the endless is repeated in the reminder of the french Revo-lution and the endless is repeated in the reminder of the french Revo-lution and the endless is repeated in the reminder of the french Revo-lution and the endless is repeated in the reminder of the french Revo-lution and the reminder of the revolution the revolution revolution the revolu ning the glorification of his capital, London was losing its civic

government. The French Government is anxious to promote culture building four major museums and an opera house. The Brit-ish Government has handed over the ish Government has handed over the care of nuseum buildings to their trust-ees with enormous bills for dilapida-tions and maintenance. Our Royal Opera House has had to become a prop-erty developer in order to expand and improve the theatre; our National Gal-lery, although succeeding brilliantiy in raising private funding, is mightly bur-dened by the cost of maintaining and restoring its premises. Even allowing for the obvious politi-cal differences between London and Paris, there is no doubt that architec-ture and the arts scarcely feature in the

ture and the arts scarcely feature in the minds of British ministers. The sense in Paris of a building programme that is

Paris of a building programme that is culturally driven is exhilarating; the sense in London of a massive building programme, mainly by desire for short term profit, is depressing. Imagine what President Mitterand would have done, faced with the prob-lem of rebuilding the entire precincts of St. Paul's. First of all, he would not have seen it as a problem but as an opportunity. The cathedral is one of our greatest national monuments. Expedi-ency after the Great Fire of London ency after the Great Fire of London

and enthraliment to inappropriate architectural fashions damaged the whole area in the rebuilding after the second world war when Lutyens's great plan for the formalisation of the approaches to the cathedral were rejected - almost as though they were the resist

too papist. Is the City still in danger of fodging the issue of the rebuilding of the St. Paul's Precincts ? Why is no one, spart from the Prince of Wales, prepared to kok at the area as a whole and evolve a solution that will be a civic ornament, an appropriate and humane commemo-ration of the Millennium of Christianity. The City planners seem unable to give a visionary lead.

Private developers, MBPC, which owns the site known as Petershill to the South of the a cathedral between the church of St. Nicholas Cole Abbey and the Col-lege of Arms, has presented the results of its competition to find a way of replacing the unsatisfactory and unattrac-tive office blocks and open space laid out in the 1960's. MEPC followed an intelligent and relatively orthodox route of an invited competition from 11

rome of an invited competition from it architectural practices. Four finalists were selected and their schemes have been exhibited for a week in a West End Gallery. It is very much to be hoped that the schemes will be exhibited in the City, near the site, so that the public debate can be truly informed.

Michael Hopkins and Partners, prevented the carrying out of Wren's Edward Cullinan Architects, Edward formal but splendid plan for the City, Jones Architects, and MacCormac

Jamieson Prichard and Wright were the finalisis, and the scheme designed by Edward Culliman has been selected for further development. It is early days to further development. It is early days to comment, as development proper is unlikely to begin until 1993, but the assessors feel that Cullinan has pro-duced the most humane offices, and a fascinating variety of external pedes-trian spaces in the form of courtyards and a fountain walk down towards the What the Petershill competition

clearly demonstrates is the willingness clearly demonstrates is the willingness of major landowners to go through the sometimes taring bushess of rigorous architectural selection. Are they not also willing to look at their own proper-ties within the context of the whole area around St. Paul's? The assessors expressed their anxiety that Mr Cullinan's scheme had too many ideas in it and that it needs considerable refinement. Part of the charm of Mr Cullinan's architecture is that it is always evolving. He plays engagingly with the elements and materials, sometimes with great success and sometimes with a curious wilfulness that spoils his baildings.

Whatever happens at Petershill is crucial for the success of the rebuilding of the area around the cathedral. The need for London to accept a willingness to plan coherently for whole areas looks much further off today than after the war. How curious it is that now that Britain has the architectural talent, there is little or no political will to see that is used for the enhancement of the capital city.

# OBITUARY Herbert von Karajan

Few orchestral conductors have won such musical and administrative prominence as the Austrian Herbert von Karajan, who died on Sunday at his home near Salzburg aged \$1. Karajan was born in 1908 at

Salzburg, a city fated to play a large part in his career. His father was a surgeon; the fam-ily were originally of Greek-Macedonian stock. The young Karajan studied at the Salzburg Mozarteum, then in Vienna. He made his debut in Vienna. He made his debut in his native city in 1929 and con-ducted the Vienna Philarmonic there five years later. By that time he was first Kapellmeister at Ulm in Germany. His next post was at Aachen as General-musik-director, the youngest in Germany. He joined the Nazi Germany. He joined the Nazi party. By the time the war broke out Karajan had con-ducted the Berlin Philarmonic, was appointed to the Berlin Staatsoper and had won his first recording contract.

first recording contract. Karajan's political attifude during the Nazi years led to difficulties after the war. He was banned from conducting by the Russians hut by 1948 was back at the Salzburg Festi-val. He had made what was to val he had made what was to prove fruitful contact with Walter Legge of EMI, founder of the Philarmonia Orchestra in whose early years Karajan played a dominant part, revit-alising orchestral music in London as Beecham's LPO had done in the 30s. The combination of Karajan and Legge has equally stimulating effect on

tion with La Scala Milan and a ton with La Scala Milan and a longer one with the Lucerne Festival, appeared at Bayreuth in the early years of the Wie-land Wagner regime, succeeded Furtwängler in 1955 as princi-pal conductor of the Berlin Phi-larmonic and remained there until his resignation last April. until his resignation last April. From 1957 to 1964 he was artis-tic director of the Vienna State Opera. Like some other emi-nent conductors before and after him he did not find the post entirely congenial, though he had a second spell in 1977. Links with Salzburg proved long-lasting. In 1967 he inaugulong-lasting. In 1967 he inaugu-rated the Easter Festival and began to mount, year by year, Wagner's *Ring*. The pattern was set of using the Berlin Phi-larmonic at Easter, the Vienna

Philarmonic in the summer. He found time as well to tour widely with the two great orchestras, to make high-pow-ered recordings (in later years exclusively for Deutsche Gram-mophon), to devise his own opera productions - simple in conception with broad effects often shronded in darkness, to encourage scientific research. to sponsor competitions for young conductors, to gather honorary degrees - Oxford gave him one in 1978. In 1983 he was able to add the gold medal of the Royal Philarmonic Society of London. He piloted his own plane and liked fast cars and skilling.

On the continent Karajan supermusician, a product of went from strength to the age of high tech, inducing strength. He began an associaperhaps more wonder than warmth. In London his visits filled the hall at high prices, yet he did not command the affection (as opposed to admi-ration) given to other leading conductors, some of them less brilliant. Karajan's taste was eclectic within limits, not reaching far back into the past nor (though he did more music of his own time than people remember) probing deep into the present. He was undoubtedly a great master of the orchestra. The sound of one or other of his preferred ensembles from Berlin or Vienna, which be maintained nt the very top of the European league, was at once a tonic and a corrective.

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When it came to interpreta-tion, certain doubts arose. There were times when big classical or romantic works appeared to slide too effortlessly past the listener's ear and a shortage of direct rhyth-mic appeal left a gap which tonal refinement and technical mastery could not quite fill. Karajan has left one of the richest recorded testaments of any conductor, made as was his wont under the best possible conditions with the best available executants. Already one detects a critical tendency to revalue more highly some of his past recordings. As with Furtwängler the tide may turn.

**Ronald** Crichton

The image emerged of a

# Die Zauberflöte

#### DROTTNINGHOLM COURT THEATRE

troversial on matters of tempo (especially when he changes gear dramatically in the midmade him the outstanding per-

die of a number) but it is always intellectually vital Moz-art to set the mind racing again at the score's originality. With so much to occupy the eye and ear, the singers tend to take second place. Drottulngholm performs the opera in Ger-man, but with mostly Swedish artists. That said, it is perhaps invidious to pick out the only non-Swede, tha Sarastro of the Hungarian Lázzló Polgár, for special mention, but the firm-ness and depth of his singing

former of the evening. There was a boyish Tamino from Stefan Dahlberg, a shy, deli-cate petal of a Pamina from Ann Christine Biel and in Birgit Louise Frandsen, a Queen of Night who sets sparks flying in her headlong second aria.

One of Järvefelt's examples of producer's licence is to make the time and place of the opera Sweden at its historic height, opening with a backdrop of the palace itself. Drottningholm as an operatic Temple of Wisdom? that is not such a bad Now

**Richard Fairman** 



For the uncomprehending the scene. After the cantious all ou meeting the newcomer spectator the absence of the realism of the preceding set-dimension of language in a far-tings this lunch into the even perfunctory though she is pale eign-spoken production throws more can tiously symbolic and drawn at his departure. an extra emphasis on to the characters' physical heliaviour. comes as a lolt The stifled desperation that: At one point hins, the young informs these stunted lives est of the Prosurov girls, flings a jug of water over henself in occasionally erupts into violence. Masha hurls herself on her departing lover and pun-mels him furlously before sprawling on the ground and haying like a heartbroken child. Olga's final speech is drowned by the advancing an attempt to cool down physically and emotionally. This epitomises the approach of the Katona Jozsef Theatre's Three Sisters, running in tandem with The Government Inspector at the Old Vic until July 22. music of the military hand as she runs from side to side The Hungarian company gives us passionate Slavs, not the shonting ineffectually. And well-bred and tightly but toned up English middle clas-ses so beloved of our own Chekhov tradition. Masha's cackolded busband, the schoolmaster, usually played as a wistful wimp, is here a bulky, self-importantly booming bore, not above using a threatening tone to his list-less wife or subjecting her to a Nor is the latest British trend to find the laughter of light comedy in the great works much in evidence. donately aggressive kiss to her disgust. The production's gloomy mood would recall the old fash-ioned "soulful" playing of the Russian classics were it not for Tamás Ascher's production is fairly dour, set in boxy, firmlycellinged interiors (no designer is credited in the programme) that affirms the claustrophobia the underlying note of tugging urgency that bespeaks genuine of provincial life more than reminding us of the country. And the last act a design is hopele sness and soured scepticism rather than emotional self-indulgence. Masha's bore-dom is chronic; there is not even that sudden note of interboth ugly and confusing: either a semi-enclosed verandah or a courtyard, one side open to nocimmal darkness that grows est most actresses give to her decision to stay to hunch after blacker throughout the action, with a black cloth slung above

Bartok, Stravinsky (Wed). All the Bastille concerts take place at 8.30pm in the Grande Salis (40011515).

Orangenie de Sceenx in the Paris region. July 22 - Sept 3 (46600779). La Chaise-Dieu in Anvergne,

Besune in Burgundy, June 30-July 22 (2022451). Montpellier, July 11-Aug 2 (25525620)

(65525553). Saint-Jean-de-Luz, Aug 30 - Sept

Summer festivals

Ang 23-30 (71000116).

16 (59260316). Provence, Cote d'Azur.

in France.

The mistic conviction th

recording standards.

It really is not fair. The experience of seeing Eigb-teenth Century Opera in the historic theatre at Drottninghhistoric theatre at Drottningh-olm spoils one for perfor-mances almost anywhere else. Other houses, with Glynde-bourne and its recent produc-tion of Mozart's Figaro on period instruments in the van-guard, may make the crossing to opera in the authentic style, but few will feel as easy on the but few will feel as easy on the other side as Drottningholm. Their Mozart this year was a revival of *Die Zauberflöte*, an ideal choice to show why this theatre is unique. After so many productions which labour effortfully over getting



Dorotiya Udvaros (Natasha), Erika Bodnar (Olga)

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FINANCIAL TIMES

TRAVELLING

ON BUSINESS

IN THE U.S.

BRUGGE ----

AND CANADA?

#### Rest assured, you'll July 14-20 find the FT at leading MUSIC London hotels coast to coast.

Rostal and Schaefer play grand plano classics including Gersh-win, Chopin and Liszt. Barbican (Wed) (638 5891). Grand Piano Classics Rostal and Schaefer playing Gersahwin's rhapsody in Blue, Lizzt, Addinsell, Debussy, Chopin and Scott Joplin. Barbican Centre (Wed)

(638 6891) Sir Isalah Bartin birthday concert conducted by Sir Neville Marricoust with Julie Varady (sourano). St Martin in the Fields (Mon) (929 2000) London Bach Orchestra directed.

by Nicholas Kramer (harpsicord), playing Bach, Vivaldi and Handel. Barbican (Thur) (638 8891).

#### Paris

Talles

Romantic nusic performed on musical instruments of the time: Spohr, Mendelssohn, Schumann, Schubert (Mon). Antiliortum des Baroque music. Vocal and instrumental ensemble Il Placere con-ducted by Gerardo Babago Palawith Ludovic de San (baritone), Luc Devos (piano) performing Brott, Mozart, Saint-Georges and Telemann Paists Provincial du

ARTS GUIDE

by Zdenej Kosler. Dvorát, Sme-tana. Arkadenhof (Tues). Trio di Triesta. Ravel, Brahms. Palaia Schonbrum (Wed).

-nothing changes is illustrated by the bossy and vulgar Natasha, for once dressed in sufficiently bad taste at her first appearance to merit Olga's gentle reproach; but hid-cously dressed thereafter, whether in a negligee that makes her look like Carmen or sporting the garish stripes of provincial elegance. This is a one-sided but valid

interpretation of the play, plau-sible but incomplete. None of the sisters asks for sympathy in this unsentimental produc-tion, and the only warmth s from the Baron Tusenbach of Janos Ban, taking time off from his Khlestakov in the Gogol work, that bonily sincere face fleetingly revealing tenderness and concern. In this raspingly unromantic world Solyony (Géza Balkay) is simply an unhappy and lonely misht, not the failed Byronic or Pashkinesque ontsider he aspires to be in some produc-tions. At three and three quarter bours, with three intervals, it makes for a long evening of insufficiently varied gloom. Martin Hoyle

Brandis Quartet playing Mozart, Schubert and Wolf. (Thurs)

Munich

Aurich

Frankfurt

Alte Oper.

Rome

to the stage, that at Drott-ningholm is a wonder of simplicity. The original stage-machinery flies the many changes of scene up and down in seconds (how one prays never to see a single set Die Zauberflöte again) and the atmosphere is one of naive enchantment.

here even need a producer? Presumably yes, as the singers are used to one, though it is worth remembering that Mozart would not have expected it. In Goran Järvefelt's production the best moments are certainly those where he leaves well alone, not the twists that give the opera a modern producer e new look. A tendency to keep singers on stage after they should have made their exit was particularly annoying, as it set up bogus relationships between characters.

Mozart's fantastic Singspiel on

Nevertheless, this was by and large an evening true to the spirit of the composer, a verdict which applies no less to the music. Even by present standards the conductor Arnold Ostmanan is a hardline authenticist. His Zouberflote allows few concessions to sentimentality and can be con-

July 14-20

Srd symphony with contraito Ruthild Engert, the Viennese Jeuness Choirand the Toberkus henchor (Rome \$53,360 and Spo-

#### New York

Fifth Rest Friesland Summer Music. Soloists and Chamber Orchestral Concerts. Johanna Picker and David Lauri, Violon cello; Iwan König, plano; Hugo Noth, accordeon; Peter Van Dinther, trumpet, until August Evita, the Andrew Lloyd Webber musical in the orignal Broadway version, with Florence Lacey.

Royal conducted by James Rich-man in a programme of French music of Mozart's time on origi-nal instruments (Thur). Avery Fisher Hall (874 2424).

Piezza del Campidoglio. 22 Tangoniz contemporary versions of the tango sung by Milva with Astor Piazzolla (Wed) and Peter Vronsky conducting Smetana and Dvorak (Thur) (6541044). Villa Medici: Romseuropa Festival. Marc Minkowski's baroque orchestraLes Musiciens du Louvre playing Mehul(Thur) (4744776 or 6544601/2).

#### Pontino festíval

Latina: Palazzo Della Cultura. Camerata Academica des Mozar teums Salzburg playing Respight, Vivaldi and Mozart conducted by Sandor Veeh (Latina 40251).

#### **Spoleto: Two Worlds** FestivaL

Main square Festival closes with traditional open-air concert:Spi-ros Argiris conducts Mahler's

Does the performance style

Beckett with elephantiasis. Wendy Shea's set slopes upwards to a hleak grey horizon. On one side a precarious erection of odds and ends of rubbish totters crazily to the

Mostly Mozart Festival. Chamber music concert featuring Jean-Pierre Rampal (flute) and John Steele Ritter (harpsichord and piano). Mozart, Boehm, Tele-mann (Mon); Festival Orchestra conducted by Gerard Schwarz with Alicia de Larrocha (piano) and Roberts Alexander (soprano). Mozart, Beethoven, Mendelssohn (Tne, Wed); Concert

Chicago

**Ravinia Festival.** Philip Glass Ensemble. Glass programme (Mon); New York Philharmonic (min), New York Think India India conducted by Erich Leinsdorf. Brahms, Beethoven, Bizet (Tue); Smetana, Brahms, Wagner(Wed); Chicego Symphony Orchestra conducted by Andrew Litton with Sylvia Rosenberg (violin) and Robert Levin (piano). Ravel, Schumann, Liszt (Thur). High-land Park (728 4642).

Tokyo

Yuriko Kuronuma, Jan Penenka (piano duo), Martinu, Brahms, Shostakovich, Suntory Hall (Mon) (235 2234). Traditional Japanese Music.Bryan Yamakoshi (koto). Casals Hall (Mon) (253 4338).

221 22.1

has had some sort of relation-ship with Sarah, and currently

Ann Christine Biel, Stefan Dahlberg, László Polgár

Carthaginians

HAMPSTEAD THEATRE

Derry delenda est. Bnt there

graveyard, looks like Samue

sky; on the other a mute young man lolls against one of the

worn dolmens that testify to

McGuinness is best known for his award-winning Observe

the Sons of Ulster Marching Towards the Somme. The new

work marks a sad falling-off:

formless, discursive, and so deeply felt as to be occasion-

ally incomprehensible. To

accuse a play steeped in the memory of Bloody Sunday of being insubstantial may be cal-

lous, if not wrong-headed; but references to that tragic Jann-ary day in 1972 seem to be duti-ful homage, giancing obel-sance, or cues for drams rather

than an organic part of the

plot. Like the characters the play is painfully contrived. Here is old Maela, laying out

a little girl's clothes on the

ground and addressing the

invisible presence of her daughter, dead from cancer at

13. Here is spiky, vulnerable

Greta tending an injured black-bird. Here is Sarah, the most

with a history of drug addic-tion. Paul, an ex-teacher, has

bouts of madness and is bulld-ing a pyramid of rubbish. Seph has not spoken since his betrayal of his comrades. Angry Hark, the gravedigger,

normal-se

ming of the women,

the garden's purpose.

are survivors. At first glance the new play hy Frank McGuinness, with its cast of seven oddballs in a Derry repels the advances of Dido. Dido is not the Queen of Carthage hnt a queen of Derry: bleached hlond, eyes made up. he first appears in a salmon pink suit and blue boots with pink laces, pushing a pram with the supplies needed by the miracle watchers. For the women, Paul and Seph await a resurrection. The poetic mood one expects never materialises. Instead, the author shows an alarming slide towards cliché and banality.

Characters are inconsistent. changing for no apparent rea-son. The first act is desperately padded out with comie coarse theatricals. The second half sees the sort of general know-ledge quiz in which Dido and Maela starred in pubs at some point in the past - but when? And when did Maela become unhinged? Really on Bloody Sunday, her daughter dying to coincide with the political casualties? What are these people's backgrounds? Sudden rev elations are laboured, applied rather than growing from situation or character. This has the feeling of a bottom-drawer play hastily reworked after another succe

Sarah Pia Anderson coaxes fina performances from the company, especially from Stephanie Fayerman's flawed, prickly Greta and Sorcha Cusack's tonching old Maela. As yet the work scarcely coheres. In the circumstances the andging parody of an O'Casey speech looks like breathtaking hubris.

Martin Hoyle

July 7 - Aug 8 (90342424). Avignon, July 12 - Aug 3 (90862443). Alz-en-Provence, 10 - 30 July (4223751). La Roque d'Antheron, Ang 1-23rd (42505115). Menton, Ang 5-31 (33575700). Brussels BRT Philhermonic Orchestra conducted by Fernand Terby with Jerrold Rubinstein (violin) and Jacqueline Herbein (pisno). An evening of American Composers (Thur). Maison de la Radio. The McGill Chamber Orchestra conducted by Alexander Brott

for. Manuel de Sumaya, a Marican composer contemporary of J.S. Bach. Saint-Severin Church. Both concerts are part of the Paris festival Estival (49049001, in Raglish 47208588). Bastille Opéra Inaugural con-certs. Soviet Constervatory Festi-val Orchestra: Berlioz, Prokofisv, Tchaikovsky (Mon). Indiana Uni-versity School of Manio Festival Orchestra: Bernstan, Lelo, E. Carter, Ravel (The). New World Symphony Orchestra: Berlioz, for. Manuel de Sumaya, a Brabant (Mon). Vienna Slovik Philharmonia, conducted.

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Monday July 17 1989

# A grandiose summit stage

ALL SUMMITS of the Group of Seven major industrial conn-tries are stage-managed, but none before has seen the stage so completely dominate the actors. President Mitterrand's show in hooour of the Bicente-nary of the Revolution would have amazed even Louis XIV by its scale.

20

by its scale. While President Mitterrand While President Mitterrand acted like a latter day Bour-bon, Mrs Margaret Thatcher auditioned for Pitt the Younger. The Revolution started a war between Britain and France that lasted, inter-mittently, for a quarter of a century. From time to time, it appeared that the hicentenary would have an equally devaswould have an equally devas-tating impact on Anglo-French relations. But Mrs Thatcher's oversimplified views on the French contribution to the cause of human righta were more than satisfactorily count-ered hy the simplistic comments of Mr Michel Rocard on contemporary British politics. Honour should be satisfied.

But what of the summit itself? The stage may have been overbearing and some of the actors almost Indicrous, but it is still an occasion of importance, if not for economics alone. The G7 has turned itself into a global directorate with an emphasis on economic affairs. This particular direc-torate may be self-appointed, but the role of its members is inescapable, accounting as they do for 70 per cent of total global product (excluding only the Soviet Union and the coun-tries of eastern Europe).

#### Defining process

The summits themselves have become an occasion, rather than an opportunity for serious discussion. The valu-able part comes before, in the preparation of the communi-qué, a process that forces the governments of the G7 countries to define areas of agreement and disagreement. The present summit has, for example, registered the present consensus on the importance of

# Turn again, Parkinson

the environment, while demon-strating disagreement on the future of exchange rate co-ordi-nation, on the priority to be accorded to control over infla-tion, and on how far there should be enhanced support for debt reduction.

debt reduction. Inevitably, the texts look hypocritical at times. The Chi-nese might well be benused by the criticisms they have received, given the identity of some of the guests at this cele-bration of human rights. A pledge to "oppose the tendency toward unilateralism, hilateral-ism, sectoralism and managed trade" comes strangely from a summit whose two leading parfor some time. A year ago, con-ventional wisdom was that Mr Rocard had only been chosen as a short-term sacrificial vio-tim. President François Mitterrand, in this cynical view, rand, in this cynical view, wished to scupper Mr Rocard's chances of challenging for the presidency in 1995, expected him to have difficulty leading a minority government, and intended to discard him when summit whose two leading par-ticipants are the US and Japan. Equally striking is the empha-sis on "common efforts to limit emissions of carbon dioxide he had used up his credit with public opinion. and other greenhouse gases," when the US, for one, has If that was the plan, it seems to have gone wrong. Mr Rocard has survived his first 12 months with his reputation enhanced, and his success with the public appears to have imposed itself even, to some degree, on his own party. To judge from a recent meeting of the executive committee of the found it politically impossible to increase taxation on its egregiously wasteful use of petrol.

#### **Gorbachev** letter

What may be best remem-bered about this summit, however, is the role accorded to the Commission of the European Communities in relation to Remarkable in this context was the letter from President Gorhachev, especially when one remembers the world scene when the snmmita began. Whether the Soviet Union can play a useful role in the international market econ-omy 1s uncertain; that it wishes to do so remains astounding

his rancorous rivals on the left have concluded that, for the ince concluted that, to the time being, there is little point in disputing the merits of the Rocard Covernment's policies, or in protesting at Mr Rocard's version of social democracy, undergrinded by his taste for With a long economic expan-sion behind them too, it is no wonder that the main impression given by the participants is one of complacency. The G7 is sure that the world is going underpinned by his taste for compromise and negotiation. its way and, for that reason, contemplates oo bold economic initiatives. History tends to be Yet the success of this first phase of Mr Rocard's Govern-ment cannot hide the fact that disrespectful to such complacency. One can only hope that it will turn out to have been justified when the G7 next meets, hut one can at least be the Socialist Party faces two big problems. The first is the succession to the party leader-ship, President Mitterrand is sure that American staging will be on a more modest scale. most unlikely to want to stand for a third term, since he will be 78 in 1995, and already the josting to win control of the party ahead of the presidential succassion is becoming

gainst all initial pre-dictions, France's minority Socialist Government, led hy Mr Michel Rocard, is still rid-

French education system, on-which the jury is still out. Only Mr Rocard can claim a pretty clear record of success, but his is the hottest seat of all. The second prohlem — of minority government — is more fundamental. The Social-ist Party remains tha largest single party in parliament and the conservative opposition parties are divided. The experi-ence of the past 12 months sug-gests, therefore, that Mr Rocard should not have too much difficulty, in the next 12 months, in pushing through the kind of moderate policies ha is likely to favour. His honeymoon is not likely to last for ever, however. ing high as it ends its first year in office. The Prime Minister is personally popular, the econ-omy is humming along at a rate of expansion which keeps rate of expansion which keeps outperforming previous fore-casts, and the opposition par-ties are in a turmoil as great as in the immediate aftermath of last year's presidential and general elections. As a result, it begins to look as if Mr Rocard has a plausible chance of staying in the saddle for ever, however.

The Socialists are the biggest single party – hut only so long as the right wing is frag-manted. If the conservatives were to overcome their divi-sions, the Socialist Party would be in much more trouble. This does not seem an immediate prospect, since right-wing per-sonal and historical rivalries remain vigorous. remain vigorous.

Although moderate social-democratic policies may be what France now wants, a party identified with moderate social democracy does not seem to stir the excitement of the voters. The Socialists have not been able to replicate their landslide victory of 1981 and there is no sign that they have

there is no sign that they have a recipe for doing so. However, these are minor difficulties compared with those of the right. The verdict of the 1988 presidential and general elections was that the right has little chance of returning to power unless it can unite its various factions, but there is so far no consensus between the clan leaders

on how this is to be done. on how this is to be done. Some young conservatives, both among the Gaullists and in the other right-wing parties, concluded earlier this year that the essential first step was to outflank the entrenched leaders of the old parties by setting np some sort of reformist cross-party formation. They believed that their leaders had exhausted their credibility, that party policies were out of date, and that the dividing lines hetween the traditional conservative parties were not merely irrelevant, but counter-

productive. Mr Jacques Chirac, Gaullist leader, had twice run for the presidency and twice here been comprehensively defeated; the Gaullists needed a new cham-pion, but the tight hold of the party apparatchiks would effec-tively rule out any challenge from inside.

The ideological antagonisms between the Gaullists, Liberals and Christian Democrats (who



Ian Davidson looks at the durability of France's Socialist Government

In need of a winning mixture

cted success story: President François Mitterrand with (left) his Prime Unexpected success sucry. Minister, Mr Michel Rocard

of support for European inte-

The challenge of the young conservatives erupted with sudden force this spring, after municipal elections in March, in which Mr Michel Noir, a for-mer Gaullist Foreign Trade Minister and rising star, unex-pectedly captured the town hall of Lyon, Emboldened by hall of Lyon. Emboldened by his success, he and a number of his friends decided to mount a formal challenge to the oldguard conservative leaders. The hattlefield for the challenge would be the June elec-tions to the European Parlia-

Until that moment, the offi-cial conservative plan had been to field a single list of candidates for Strasbourg, to be headed by former President Valéry Giscard d'Estaing, in his capacity as leader of the UDF grouping, a loose confed-eration of all the non-Gaullist conservative parties. The threat of the young conserva-tives was to field their own list of candidates in opposition to of candidates in opposition to the Giscard list.

conservative reformers' list could be agreed. in the event, the rebellion of the young conservatives col-lapsed as suddenly as it had erupted. Within two weeks, the Gaullist hierarchy gave an impressive display of machine politics, cowing the young reformers into ansolate subaission to the official line.

Michel Noir and his friends have continued to proclaim that their reform movement is still alive and well, and opinion polls suggest that the aim of the reformers is popular. But the European poll was proba-bly the last real opportunity to challenge the party leadership, before the court of public opinion, until the general elections scheduled for 1993. The chance has been lost and the old guard are likely to remain in charge

for some long time. Worse was to come. The Centrists duly fielded their own list of candidates in the Euro-pean elections, under the much respected leadership of Simone Veil, former President of the European Parliament. Yet Mrs Veil's reputation failed to save the Centrists from a serior

nearly 29 per cent, over 4 per cent ahead of the Socialists. The victory of Mr Giscard d'Estaing and the defeat of Mrs Veil ought to have been a cause for rejoicing in the traditional conservative camp; in fact it was greeted with dismay by all Mr Giscard d'Estaing's rivals. They had hoped that he would withdraw to an innocuous retirement in Strasbourg they now feared that he would claim to be the leader of the

opposition, and even aspire to recapture the presidency. Mr Jacques Chirac, who had previously been assiduous in preaching a hazy form of "unity" among conservative parties, instantly rejected Mr Giscard d'Estaing's proposal for a "fusion" between the conservative parties. By contrast, Mr François Léotard, leader of the liberal Republican Party, was just as quick to call for a united opposition party, and to warn Mr Giscard d'Estaing (and for good measure, Mr Chirac) against any renewed presidential ambition. "Their capacity to govern the country is not in question," he said, "what is in doubt is the capacity of the

that a united opposition party will be a long time coming. One of the consequences of the divisions among the tradi-

One of the consequences of the divisions among the tradi-tional right-wing parties is that they cannot mount an effective strategy for containing the embarrassing presence on their right of the National Front. The Ganllists, in particular, are split over whether to move to the right to recover votes lost to the National Front, or whether to move left, to join forces with the Liberals and Centrists. Mr Mitterrand, after all, stifled the force to his left, the Communist Party, first by forming an alliance with It, then by discarding it. But the right cannot repeat this trick with the National Front unless it can first unite.

with the National Front diless it can first unite. Superficially, therefore, the Socialists ought to be able to face the future with confi-dence. And yet, behind tha immediate reassurance of the public opinion polls, and the difficulties of the opposition, these are ominous signs for the there are ominous signs for the longer term: the explosive rise of the Greens and the steady increase in the abstention-rate in recent elections, are worry-ing indicators of popular disenchantment.

This affects the traditional conservative parties as well as the Socialists. But many of the the Socialists. But many of the French Socialists, who were pursuing very traditional left-wing policies only seven years ago, find the experience more worrying. It goes against the grain to urge support for poli-cles which they believe are insufficiently socialist. Paradoxically, the medium-

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insufficiently socialist. Paradoxically, the medium-term Socialist dilemma is high-lighted by the apparently unstoppahle decline of the Communist Party. During the 1970s and early 1980s, this decline was the mirror image of the rise of the Socialist Party Today the Communist Party, Today the Communist role is that of a buffer for the minority Socialist Government, to ensure that it cannot be brought down by a censure

vote. So far, it has been an effecso fail, it has been an inter-tive buffer, but it may not be indefinitely reliable. The Com-munists have refused to acqui-esce in censure votes which might bring the conservatives to power; hut they do not like Michel Rocard's centre-left pol-

icies, either. Moreover, it looks as if the Moreover, it looks as if the decline of the Communists is still continuing: in the Euro-pean elections, they got less than 8 per cent, compared with more than 22 per cent in 1967. The Socialists urgently need to take up the difference, by find-ing new ways to expand their share of the vote. What can they put in place of the old recipes, which would be both socialist, productive and moti-vating? That is not an easy at is not

WITH courage and some sacrifice of pride, the Thatcher Government could even now abandon the worst aspects of its electricity privatisation proposals and produce a much

improved structure. The excessively tight timetable for a sale would have to be scrapped, but the Electricity Bill, now almost complete, is hroad enough to become the basis of a much more sensible scheme.

The plans are deeply flawed by the decision to set up a wholesale market in electricity with only two players, National Power, owning 70 per cent of the plant including nuclear stations, and Power-Gen owning the rest. This was a compromise between the desire to introduce competi-tion, and the need for a company capacious enough to float off nuclear power. But the nuclear sector now appears so uncompetitive that it threatens to sink the whole project. The raft of subsidies now envisaged exposes the fragility of the economic rationale.

Moreover, the resulting concentration of producers' power - almost inviting future attention by the Monopolies Com-mission - has made it nearly impossible for the two genera-tors and the 12 distribution companies to agree supply con-tracts which are fair to both The argument turns on whether the distributors (which succeed the present area boards) should be guaran-teed a *de facto* franchise to serve all except the largest cus-tomers in their area, or whether contracts should be loose enough to allow the gen-erating companies to compete freely in the industrial sector.

#### **Diverse sources**

In a market with diverse sources of snpply, such compe-tition could produce significant economic benefits, by hringing tariffs into a closer alignment with the true costs and hy encouraging imaginative new patterns of supply. However, the dominance of only two suppliers creates a strong risk that the potential benefits of competition will be be swept away by monopoly power. One of the most obvious dangers is that the incumbents will make use of the wide spread of existing assets to prevent independent generators from gaining a foot-bold, especially if these assets are sharply written down for the sale.

The Government's advisera have sought to mitigate the market power of the two gener-

ators hy tying up their spare capacity with very detailed plant-hy-plant contracts. This has been made even more complicated hy bolting on computerised pooling systems intended to override the con-tracts to ensure that power stations with the lower running costs are switched into the sys-tem (despatched) first. This pooling system will be cumbersome and perhaps unworkable if a significant number of inde-**BB** in the pendent competitors try to join the producers' club. It also fails the test of an efficient spot market, that it should signal limelight the true short-run cost of pro-What has a gross domestic product the size of Tunisia, duction from producers to con-

## **Credible competition**

sumers.

These difficulties would be very much less if the power generation market were sub-ject to the disciplines of credihle competition, and a true spot market. Since new competitors will emerge slowly, if at all, the Government should do now what it should have done 16 months ago: accept that nuclear power must remain for the time being in the public sector and divide the other power stations between four competing companies. This would be difficult, but hy no means impossible, considering how efficiently the

**CEGB** accomplished its last amoebic division. The establishment of a genuhely competitive power mar-ket on such a scale would be a bold act, without precedent in the industrial world. But many previous doubters in the industry believe it could work if the CEGB's monopoly were more decisively broken. Then the rest of the Government's plans would need little alteration. Juan and Jorge Born, the two brothers at the top of the fam-ily firm, were kidnapped by Mario Firmenich of the urban terrorist group, the Montone-ros. They were released after a \$60m ransom was paid to the ultra-right. Peropiet sum-However, tha independence of the national grid is so impor-tant that it should be run by an entirely separate company instead of being jointly owned hy the distributors as now planned

porting Montoneros. Since then "BB" (as It has A resulting delay could be entirely beneficial for an indus-try now in a turmoil of uncer-tainty. Mr Cecil Parkinson, the come to be known) has concer trated its activities outside Argentina, where according to some estimates its market Energy Secretary, deserves credit for the fact that the exer-cise so far has flushed out the to some estimates is manaci-share of the grain trade is only 8 per cent. BB is comparable in size to Coca-Cola or Nestlé, but in terms of internal secrecy true costs of nnclear power, and raised important questions lts only real rival is the US firm of Mars. Like Mars, It has no shareholders; in most counabout the industry's most cher-ished assumptions, especially that large companies are needed to huild ever-larger coal-fired power stations. in tries from which it operates it has no legal need to publish the light of the new informaaccounts. President Menem is trying tion he should accept that mis-takes were made and rectify hard to sell the Bunge and Born involvement in his Gov-

ister and former party secretary, Laurent Fabius, President of the National Assembly and former Prime Minister, and Michel Rocard. Mr Fablus may be the choice of President Mitterrand, hut his poor performance in the recent European Parliament elections is clearly a setback. Mr Jospin's position will depend on the outcome of his heroic efforts to reform the

owns land twice the size of

size of india ?

founders.

Luxembourg, and now runs the economy of a country the

The answer is Bunge and Born, the multinational corpo-

ration which since setting up its Buenos Aires headquarters

Britain, Japan, South Africa and Sweden. Its heart remains

The death of the chain-smok-ing Miguel Roig on Friday left new President Carlos Menem in little doubt about who

should step into the Economy

Ministry – another senior fig-ure from Bunge and Born. Nestor Rapanelli, currently

Bunge and Born's vice-presi-

dent, graduated in chemical engineering from Lima Univer-

sity, Peru, and has spend most his life at the company, one

of the world's five most power-

ful grain dealers. Relations between Peronism and Bunge and Born have not always been so cordial. In 1974

Juan and Jorge Born, the two

the ultra-right, Peronist sup-

in Belgium, the home of its

in 1884 has spread across 80 other nations, including

At this stage, three figures

are reckoned to lead the field:

The Greens' rise and

Socialist Party, it seems that

abstention-rate are worrying signs of

the increasing

disenchantment

now call themselves Centrists) no longer make much sense in the late 1980s. In particular, the populist and nationalist inheritance of the Gaullist movement has become a particularly glaring anachronism since the 1986 turnroand of Gaullist party policy on Europe, from a posture of haughty independence to one

Even before the young coll-servatives launched their chal-lenge to the old guard, how-ever, the official Gaullist-UDF plan was in tronble. The Cen-trists, led hy Mr Pierre Mehaignerie, refused to go along with it, distrusting the Gaullist conversion to Europe, and they threatened to field *their* own separate list, unless a united

setback. They came fifth with less than 9 per cent, signifi cantly less even than tha extreme right-wing National Front or the Green party. Indirectly, this was a setback not just for the Centrists, hut also for the young reformers. By contrast, the official Gaullist-UDF list, led by Mr Giscard d'Estaing, came in first with

of its response to the hid.

French ern."

> Mr Léotard is probably right. Nevertheless, it seems likely that Mr Chirac and Mr Giscard d'Estaing will continne to claim a leading role over their younger rivals; that their personal ambitions will be a bar to any far-reaching rearrange-ment of party structures; and

Mr Rocard and his friends would obviously like to per-suade both the party and the people that the answer is some thing loosely called social democracy. But it is not at all clear that the hulk of the Socialist Party is ready for the idea that it needs to rethink its identity.

combination.



it is a poor cousin next to the

more aggressive league game. In Victoria and South Austra-

lia, neither really matter. Foot-

ball there means something else again: the even faster Aus-

sie Rules. It also means more money, and higger crowds.

Quiet BAT man

The paths of many of those

involved in Sir James Gold-smith's bid for BAT Industries

have crossed before. One of

the most striking instances concerns Sir Mark Weinberg,

the South African lawyer who started the Allied Dunbar life

assurance group 18 years ago. Weinberg bas been a main board director of BAT since

group came as just as much of a shock to Weinberg as it did to everybody else. Still, it is a shame for BAT that he will be out of action during the hostilities, not least because he is an expert on takeover law and wrote a text book on the subject some years ago. Since he is also deputy chairman of the City's central watchdog body, the SIB, he would have a keen eye to spot any funny business on the other side.

# Not her style

Mrs Thatcher did not enjoy herself during her visit to Paris. She would have preferred to be somewhere else. and did not mind anyone knowing. Not only did she face various indignities and insults from her French hosts; she had to endure the intermina hle, though admittedly spectac ular, parade of the nations on Friday evening. Not long into the proceedings she could be seen tapping her feet. One US official wondered whether she had suddenly got "rhythm." But no, it soon became evident that the insistent tapping was of irritation, not musical syn-copation. The trouble was she could not escape and was stuck there for more than two bours. The Prime Minister was in the - to her - unfamiliar position of being bored at dinner, praying for the coffee. It came

after midnight. Part of the problem was that, for the first time in eight years, she did not have her friend, Ronald Reagan, to back her up. While President Bush was unblief scientific actors was publicly friendly, she was exposed to the roughar tactics of her old rivals from France and West Germany.

A pretty girl on a hus in Victoria Street, yesterday was observed carrying a copy of The Joy of Sex and a large fire extinguisher.



OBSERVER

ernment as step one of a social pact between business, politics and workers. But the truth of it is that if the relationship collapses, BB has less to lose than the Peronist party, which is already starting to have a tough time selling the arrangement to its traditional supporters, the trade unions.

# Aussie games

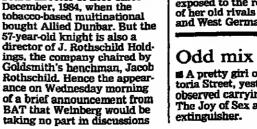
# It was D. H. Lawrence who pointed out that Australians play sport as if their lives depended on it. Certainly they follow it as though it were a religion. This week they feel they're ahead, hy a margin of about two to one. First, the cricket. In a federa-

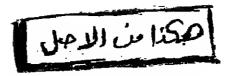
tion where loyalty to state matters more than to nation, nothing provokes national unity more than bashing the Poms with bat and ball. With two Aussie victories and one rain affected near-miss in the sixmatch series, eyes are glazed from a surfeit of late-night live television. Then there's the rugby -

league, that is, not the other sort. in Rotorua, New Zealand, Australia yesterday beat the Kiwis in the Second Test to chinch the three-match series. Although the game was unin-spiring - the score was 80 - there were cheers all round in New South Wales and Queensland, where the sport has a massive following. But there is also the Wallabies' loss to the British Lions in rugby union. In the third match decider on Satur-

day, the better side won, but an extraordinary blunder on the Aussies' own try line ensured a narrow 19-18 defeat

and gave away the series. Of the three, the union result is probably the least important to Aussle sports fans. Like league, the game is played mostly in New South Wales and Queensland. But





eveloping a common Euro-pean policy for air transport is one of the most challeng-ing tasks yet to be accomplished on the way to the single mar-

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Aloof from the process of Commu-Alcof from the process of Commu-nity integration for 30 years after the Treaty of Rome was signed in 1937, scheduled air services within Europe are still controlled by a system of bilateral agreements between member states. The "historic" reforms piloted states. The "instoric" reforms piloted through in December 1987 by Mr Peter Sutherland, than the Competition Commissioner, were a welcome first step in breaking the cartel – but, as any ordinary traveller or would-be operator will confirm, these measures have not visibly transformed the European market place

European market place. That is why the vital second stage of EC airline deregulation is in prepaat he an inter unregulation is in preparation in Brussels, with what prom-ises to be a turbulent journey through EC negotiations over the next 12 months. If all goes according to plan, a formal proposal offering new free-doms for airlines to introduce cheap fares, and significantly loosening the current stranglehold of member state governments over air transport, will be agreed by the Commission in the next three weeks. Mr Karel Van Miert, the EC's Transport Commis-sioner, will then present it to EC Transport Ministers at their next meeting in Brussels in September. Notwithstanding initial suspicions about a Beigian socialist's enthusiasm

for the cause, Mr Van Miert is emerg-ing as a keen advocate of faster change. Along with Sir Leon Brittan, the present Competition Commis-sioner, he will be responsible for lead-ing the Competition for lead-

ing the Commission's campaign. Reaction in some corners of the Community (notably France, Italy and Greece) is certain to be as fierce



as initial responses to the last Brus-sels assault. And there is growing awareness that a coherent air transport policy for Surope requires more than a fresh dose of liberalisation; that competition policy must play an imaginative role; and that ultimate success in securing a better deal for the consumer can only be achieved if infrastructure problems such as air traffic congestion and the increas-ingly inadequate size of existing airports are effectively tackled. The les sons of deregulation in the US are also important in the discussions

A full report on the results of dere-gulation's first stage is still being completed inside the Commission but verdicts in Brussels and from airlines themselves already range from "disap-pointing" and "patchy" to "more or less what we expected."

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Tim Dickson reports on measures to liberalise the European airline industry against strong opposition

The turbulent flight to deregulation

"The first step is always the most difficult and change is not something that anybody does lightly," observes Mr Kees Veenstra, general manager of aeropolitical affairs in the Association of European Airlines (AEA). "The important thing was that it addressed the three central issues of the airline regulatory framework: market access, the system of capacity abaring

regulatory framework: market access, the system of capacity sharing between governments, and prices." Under the 1987 rules governments are prevented from barring new fares based on real economic costs, while discount fares for off-peak periods and special categories of travellar must be approved automatically if they come within fixed bands, (known as the dis-count and deen-discount source).

within fixed bands (known as the dis-count and deep-discount zones). The more aggressive smaller air-lines such as Air Europe of the UK. Ryanair of beland, and Transavia of lizly have taken advantage of these new freedoms. Established national carriers such as British Airways, Luf-thansa and Scandinavian Airline Systems (SAS) have been joining in too. The extra competition is thought to have had at least a modest effect on ordinary tariffs. One European Com-mission official said last week that on the basis of evidence gathered by Brussels, "economy fares have fallen by 15 per cent in regions where the more aggressive airlines are active." Figures supplied by the 186-member International Air Transport Associa-tion (IATA) in Geneva, meanwhile, suggest that there is a trend towards more promotional fares. On routes within Europe between April 1968 and more promotional larges. On rotities within Europe between April 1968 and January this year the number of available fares pitched at between 40 per cent and 45 per cent of the full economy price increased by 19 per cent to 3.449

cent to 8,449. The Commission's second phase of

deregulation will include: 6 Limiting governments' power to block fares. The key weapon being prepared is "doubla disapproval," which implies that any new fare can only be blocked if both governments involved in negotiations over the route are opposed, compared with the present situation which requires both member states to give formal consent. Such a system, it is acknowledged, could backfire if two conservative governments are involved. Brussels policymakers are building in safe-guard clauses to curb excessive and



out opportunities for the more dynamic carriers to expand and for new operators to penetrate the mar-ket. The first stage sought to change the power of governments to insist on a rigid, anti-competitive 50/50 sharing of traffic in services between their country and other member states. The role for the moment is that a govern-ment can only intervene if its ariline's share falls below 45 per cent of the total two-way traffic; from October 1 it will drop to 40 per cent.

Irish, Dutch and Spanish airlines are among those now said to be midg-ing up against even the more relaxed limits - a justification which the Commission will use for proposing a two step move to 25/75 by April 1 1992. The logic of the single market is that The logic of the single market is that New freedoms to fix cheap fares are of little use to the travelling public with

· Cabotage. The package will also contain the first steps towards cabo-tage - the ability of an airline from one member state to offer services on routes between other countries. A fur-ther step in the same direction will be to raise the size of aircraft excluded from all bilateral capacity controls from 70 to 100 seats. This should speed up the already significant devel-opment of regional services linking in to the hig airport hubs.

• Greater market access. This is central to the liberalising process but is possibly the biggest challenge for those trying to reshape the air transport sector. Some modest results have been achieved in the first stage with the new right of "multiple designation" (permitting a government to authorise several companies to service the same route) and so-called

"fifth freedom" rights (picking up and setting down passengers at an intermediary point en route to another destination).

destination). However, government obstacles remained in the way. Aer Lingus, the Irish state carrier, is developing ser-vices to the Continent via Manchester in the UK; its efforts to fly on to Milan have been thwarted by the Italian Government. A big obstacle in the way of a single market is that govern-ments can still turn down applica-tions from their own national arfines to operate a new service, even if that service meets economic requirements service meets economic requirements and is identical to one run by another country's airline (and which the host government under the existing rules would be obliged to approve).

The problem is exemplified by Union des Transports Aériens (UTA), the independent French airline. Its request for traffic rights to North American and European destinations was turned down last year by Mr Michel Delebarre, the French Trans-port Minister, in favour of closer co-operation between state-owned Air France and state-controlled Air Inter.

UTA filed a complaint in Brussels last December saying that the deci-sion was discriminatory and flouted the EC's competition laws. It called on the Commission to intervene and fol-

the Commission to intervene and fol-lowed up the request with a threat to sue the Community authorities if something was not done soon. The Commission is still pondering how or whether to proceed with a highly complex case which would break new legal ground. But the new package will contain measures which, according to a provisional draft of the proposals, "will grant airlines that meet the necessary terbuleal and era meet the necessary technical and eco-nomic requirements the right to oper-ate the services covered by the mar-ket access provisions."

Whatever happens in the EC, con-sumers should not expect the cost of air travel to come into line with the US - at least for the foreseeable future. However much Brussels enviously eyes the single air transport market across the Atlantic - tha 12 sovereign airspaces in the EC are the big constraint - the enthusiasm of the liberalisers is tempered by Europe's less capitalist tradition. "The US deregulated but forgot to apply anti-trust," one EC airlines expert argued this week, adding that

"seven to eight mega-carriers now control about 95 per cent of the capac-ity." Another lesson from the US is the importance of air transport infra-structures – notably adequate airport facilities and air traffic control capacity. Travellers in Europe are now familiar with congestion in the skies - in May this year, for example, 22.6 - in May this year, for example, 22.6 per cent of international short/me. dium flights were delayed on depar-ture - but the feeling in Brussels is that with the right technology and political will this problem is relatively easy to overcome. Thate is much more concern about how passenger pressure on the big hub airports in the Community can be relieved.

The European Market column contin-ues on Mondays on the Overseas

# LOMBARD Still soppy on union power

**By Samuel Brittan** 

THE INSTINCTS of soppiness and sentimentality towards union power of sections of the British middle class have come the guilt-ridden affluent.

to the surface again in the recent rail disputes. The tradi-tion goes back a long way. Even political economists who have seen quite clearly the harm done by union monopoly have surrounded their analyses with soft soap. In our own day, radical econo-

mists with proposals to curb monopoly power in the labour markets have gone to great and unconvincing lengths to show that they are not antiunion.

Recently, many guilt-ridden middle-class citizens bave taken care to blame the Government or management for the discomfort and miseries of their daily travel. I am afraid my own reaction has been to

nake me more enthusiastic about privatisation than I have ever been - precisely because the hidden agenda of privatisa-tion is to reduce union power. Some apologists speak as if the rail unions were simply taking advantage of market forces like any other economic. agent. This would be true if British Rail were just being forced to pay more because of labour shortages - in which case there would be widely differing offers in different areas and for different grades. The whole point of the disruption is

to force Britisb Rail to pay more than it otherwise would and to do so across the board. Union monopoly is just like any other form of monopoly which increases the price of a service at the expense of the volume sold. The main differdoes not withdraw the oly whole of its output until repre-sentatives of the public have

agreed to pay more - as occurs in strike action. There have been many learned disputes about whether the ultimate effect of union power is to raise unemployment, inflation or both together. But whatever the pre-cise mixture, the effect is adverse. The more the rail setthement appears as an employ-ersurrender, the greater will be the cost in lost jobs and lost output of achieving any particular inflation objective,

# Appeasement will hit the most vulnerable members of the working class much more than

Some people are inhibited from saying this because they themselves earn so much more than railway workers. It was Keynes himself who had the sight regroups when has said right response when he said there was more scope for rais-ing the standards of low-paid workers through fiscal trans-fers than by direct action to raise pay. The present Govern-ment's disavowal of fiscal redistribution (despite the large sums it has in practice to pay out in social security) has made the dialectical task of the opponent of union monopoly more difficult. But it is still just as necessary.

The Government has also clouded the argument by pre-tending that it is only abuses of union power to which it is opposed. But as Peter Jay has pointed out, even if all trade unionists were Republican vot-ers with PhDs in economics, tronble would still arise. Because the Government has avoided the basic issue, the painful arguments of the 1970s about unions and stagilations are having to be repeated.

Significantly, the main union troubles so far this summer have been in the public sector. Public ownership gives any settlement an air of official sanction and makes it more visible. It is quite impossible for the Government to escape involvement, whether by lean-ing on management to take a tough line or by pushing it towards appeasement.

Simply by taking the rail negotiations out of the lime-light - so that they had no more significance than, say. British Telecom pay awards -would achieve something. Greater benefits would arise from bringing in competition - not only between different areas but between different companies operating on the same track.

The immediate issue is not. however, transport economics but the return of wilful blindness about union power. It is too simple to repeat mindlessly that Mrs Thatcher has gone too far. This is an issue on which she has not gone far enough.

LETTERS

# Electricity privatisation and the US experience

From Dr Ian Rutledge Sir, The "muddle" over elec-tricity privatisation which Max tricity privatisation which Max Wilkinson describes (July 11) is no doubt being observed with considerabla interest and amusement by the US electric-ity industry which has been campaigning hard against pro-posals that the existing system of tightly regulated, vertically integrated, monopolistic utili-ties should be deregulated to allow greater connetition and allow greater competition and some separation between gen-eration and distribution.

According to the latest annual report of American Electric Power Company, of Columbus, Ohio, "separating power supply from transmis-sion-distribution systems would threaten reliability and could lead to higher costs ...." The argument is expanded in the statement of the company's chairman and chief executive officer, Mr W.S. White Jr. "Deragulation continues to be debated before regulatory and legislative bodies and to gener-ate a great outpouring of eco-

nomic theory regarding free market concepts. Unfortu-nately, few take the time to consider the technical aspects of their proposals or the practi-cal lessons of electrical utility economics that were learned early this century and that are still valid. Electric utilities have the continued responsibil-ity to provide all the electric energy needs of the customers in their service area. If they are to be turned into mere bro-kers of an electric power sup-ply they do not manage

directly; problems of supply and reliability are sure to fol-low very quickly." Given that the Government

generally exudes such unani-mous and uncritical support for all matters American and privately owned, it seems curi-ous that it has not paid closer attention to the views of this existing and long-standing pri-vate sector electricity industry. Ian Rutledge, Seris 103 Carter Knowle Road, Sheffield

# EC steel industries create 'below cost' competition

From Mr Andrew Cook. Sir, My industry is steel cast-ings. In Britain, Thatcher rules apply: if you lose money you go bust and close down. In Europe, not so. My EC competi-tors are generally either lossmaking, state-owned or quasi state-owned concerns, lossmaking subsidiaries of indus trial groups or break-even pri-vate companies. Many of these vace companies, many a misse keep going because it is politi-cally impossible to close them. In the Basque country my competitor employs 1,200 men,

exporting over £10m worth of products at or below cost throughout Europe and tha UK. It has £20m negative net worth, but despite this stagger-

A little

more cake

From Mr Jeff Fugler.

cot Finance Group.

sayings.

ing debt closure is out of the question. Instead taxes are waived, cheap govarnment-backed loans are arranged, arrears of national insurance contributions cancelled; the whole debt ridden outfit keeps going. Similarly, in Italy a large

going. Similarly, in italy a large nationalised employer in the sonth persistently sells steel castings throughout the EC and the UK below cost. The rule here is "work at any price rather than no work."

In northern France another large steel foundry employs 1,000 men and loses over Fr 20m a year. Again, for polit-ical reasons, closure is out of the question.

Anti-dumping laws do not apply to EC members; they can go on selling at below cost without restrictions, so long as go on sening at below Cost without restrictions, so long as someone will pick up the bill. No wonder the UK Labour Party is anddenly so pro-EC: it plays the same game, if an industry becomes uncompeti-tive, upon it up.

tive, prop it up. This is why no mainland Ruropean countries are wor-ried about the EMS - they can enjoy its benefits and if their own industries suffer pain they will support them. To this must be added the intense loyalty of their domestic custom-ers (try selling castings to Spain and Portugal against the domestic producer), which con-

trasts with the almost perverse disloyalty of many UK custom-ers (they enjoy their buying

ers (incy analy iner buying trips to the sun). These, plus local advantages of particular countries (cheap labour in Portugal, cheap energy in France, low interest rates in Germany), coupled with almost complete absence of the usefit motion theorem. of the profit motive throughout the EC, make EC/EMS membership a very one-sided busi-ness for UK manufacturers. The only weapon we have is the exchange rate. If we are in the EMS this weapon is lost.

Andrew Cook, William Cook plc, Parkway Avenue, Sheffield,

# Joint ventures with the Soviet Union

Sir, As one of many who util-ise Mr Osman Streater's (Letters, July 11) not inconsiderable copywriting talents, I should like to reply to his con-demnation of the phrase "You can have your cake and eat it, in an advertisement for RoyS-

Mr Streater may well want to eat his cake and have it. He may well also be the only per-son in the UK who is familiar with John Heywood's 1546 col-lection of English colloquial about each other.

But for the rest of us mere mortals, we are quite content to have our cake and eat it. Is not the function of advertising to communicate with the living? Jeff Fogle Fugler & Fugler, 4 Brook Street, W1

en much speculation in the western press, including the Financial Times, concerning the potential for joint ventures with Soviet enterprises. The Soviet Union's new policy on foreign trade offers greater opportuni-ties for Soviet state-run estab-

lishments and co-operatives to move into foreign markets. But at the same time it has revealed a number of problens. Perhaps the most impor-tant is the urgent need for western firms and Soviet organisations alike to have access to sufficient information

Soviet businesses located outside Moscow have the great-est difficulty in finding part-ners. The traditional foreign trade bodies have proved mable to help them. The solu-tion, seems to he in regional speciations for busine 88 CO-OD

eration, such as those already created in some regions, Good opportunities for expanding business contacts are offered by international fairs and exhibitions. At the 1989 Hanover fair, for instance, Soviet partic-ipants received offers for joint ventures, co-production, and information-sharing in science

and technology. "Houses" of economics and industry in the Soviet Union and the Federal Republic of Germany will co-ordinate busi-ness operations. They will have all the necessary facilities - hotels, exhibition space, communications - for practical and reliable business activi-

Yet another favourable fac-tor for small and medium-sized firms is the legislative changes being made, governing the activities of joint ventures in the Soviet Union: For exam the restrictions on the size of a

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foreign partner's stake in a joint venture have been lifted; joint ventures may be headed by either a Soviet or a foreign national. Everyday services provided for foreigners living in the Soviet Union may now be paid for in roubles earned by the joint venture concerned. Another factor and using to joint venture have been lifted; Another factor conducive to joint venture arrangements is the treaty on the promotion and mutual protection of investments, signed by Presi-dent Gorbachev during his visit to the federal republic. The Soviet Union will do its

utmost to further joint ven-tures, but western firms should be prepared to persevere and courage our new foreign

trade policies. Sergei Semyonov, Institute of World Economy and International Relations **USSR** Academy of Sciences. Moscow 117418, USSP

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22 **Φ** 

Janet Bush

of the

fittest

analyst at Shearson Lehman Hutton canonised for recom-

mending her clients get out of

stocks just days hefore the stock market crashed, has not

along with fellow gurns
 issued any heart-stopping predictions since. But gurus,

who so often pumped up the hull market during the 1980s

with their pronouncements,

may be back. Last week, Ms Garzarelli's name flashed across financial

news wires with the news that

tors pointed to a rally in the

Dow to 2,900 before this year is

The second ghost to rattle its chains last week was Salomon Brothers – ghoul of ghouls during the securities trading

out. A few more points were duly added to the index.

extravaganza of the 1980s bull

Salomon Brothers since the crash, or at least not much

which Mr John Gutfreund, the

chairman, would have enjoyed

hearing. Salomon Brothers had a sud-

den fit of enthusiasm last week

when it decided to pre-empt its

own quarterly earnings announcement scheduled on

July 25 to spread the good news that it expects to have earned record profits in the

Salomon said that the

improvement in its earnings

cut across product lines and geographic regions but there is

no douht that rallies in stocks

and bonds in recent months must have belped.

second quarter.

Not much has been heard of

market.

her trusty stock market indica

on Wall Street

Revival



# FINANCIAL TIMES



THE LEX COLUMN

Raiders wanted for

UK bank job

80

# Monday July 17 1989

# SOVIET GOVERNMENT WARNS OF 'UNCONTROLLABLE SITUATION' Siberian miners' strike spreads

## By Quentin Peel in Moscow

MORE than 100,000 Soviet coal miners are now reported out on strike in the Kuznetsk coal field in Siheria, with indica-tions that the unrest could spread to the neighbouring field of Achingk Kanek The TWO GHOSTS of Wall Street past returned to haunt last field of Achinsk-Kansk. The week. They may not constitute unimpeachable evidence that major industrial centres of Novosibirsk and Krasnoyarsk all is once again right with the world but they made for some nice nostalgia. Ms Elaine Garzarelli, the could also be affected.

The miners have refused to go back to work, despite big concessions to their demands for better pay and conditions, and a dire warning that their strike is leading to an "uncon-trollable situation and unpredictable consequences."

The Government has announced that miners' wages would be stopped from Saturday and warned that major parts of Soviet industry are threatened with a shnt-down because of the lack of coal.

President Mikhail Gorbachev is also facing renewed ethinc

unrest with violent clashes in the Soviet republic of Georgia leaving 11 dead and more than 120 injured. Troops were yes-terday ordered into the Black Sea resort of Sukhumi to restore order after a day and a night of rioting between some 2,000 Georgians and Ahkha-zians, an ethnic minority living in the reston

in the region. In political terms, however, the strike may be more of a challenge to Mr Gorbachev: the strikers are mainly Russian industrial workers, traditionally the bedrock of support for the Soviet Communist Party. Reports of the strike in all

the major national newspapers make it clear that the miners have lost faith in their local party and trade union leader-ship, and are setting up their own "workers' committee" to conduct negotiations with the Government.

The announcement that the miners will receive no pay from last Saturday suggests that the Government has ing."

decided to get tough, hot hith-erto both media comment and the resction of Mr Mikhail Shchadov, the Coal Industry Minister, has been extremely

conciliatory. Sovietskaya Rossiya, the Communist Party newspaper for the Russian federation, said yesterdsy that the strike proved the workers hacked

preserved the workers hacked perestrolka. Mr Shchadov, who has now spent five days in increasingly desperate negotiations with the miners' strike committees, told a mass meeting in Novokuz-netsk on Saturday that the economic consequences for the major industries of the Urals were becoming increasingly "Magnitka (the giant steel

# complex at Magnitogorsk) is on the verge of stopping work-

However, he was howled down when he claimed that workers from Osinniki, one of the nine striking towns, had returned to work. Their strike committee said the report was

All the main newspapers carry a report that a spokesman for the Democratic Union, the underground party advo-cating a multi-party democ-racy, had been booed by the strikers meeting on the main square in Kemerovo.

Nonetheless, the miners are demanding political as well as economic concessions - including new elections for their local soviets and trade union organisations and the promise of a new Soviet constitution by November next year.

If Sir James Goldsmith had Banks really wanted to excite the market last week, he should have stretched himself and FT-Actuaries relative to the FT-A All-Share Index tried to break np a UK clearing 110 % 2 bank. There is a certain stale-ness in the arguments be uses 1001 to justify his interest in BAT; in most respects, it is no differ-ent from any other conglomer-ate, just a lot higger. All the 90 80

70

1973 75

complaints are magnified many times over when it comes to the UK clearers: and while the Bank of England would doubtless spoil the party, shareholders would be

eternally grateful. Like BAT, the clearing hanks have more than their ened management in one of the banks decided to take the ini-tiative on its own. Lloyds Bank is already beginning to move in this direction, and would win some real accolades if it did the unthinkable and pulled out of interactional banking. share of inhred management. They have also profited hugely from a traditional monopoly, that of UK retail hanking. Their shares are standing at a substantial discount to net substantial discount to net asset value, and at half the pro-spective market multiple. In terms of size they are compara-tive minnows - the combined market capitalisation of Bar-clays, NatWest and Midland is smaller than BAT's - but they are stuffed full of valuable out of international banking the only reason for its dismal rating. Barclays and NatWest are still mesmerised hy size for size's sake, and Midland and Standard Chartered have had to sell off most of their good are stuffed full of valuable

assets ready for unbundling. UK banks have always been hits already. hits already. So that only leaves the dear old TSB. Here the sums are relatively easy. It has spent a billion pounds on acquisitions, but still has more capital than it needs and a stock market value of £1.6bm. Strip it back to begin and £1. James would far better at acquiring husi-nesses than disposing of them. Indeed, on the rare occasion when a clearer makes a big asset sale it is almost always a distress move to raise capital for regulatory reasons. Nat-West, for example, could probabasics, and Sir James would have a nice little earner. But even he is apparently not pre-pared to rock the boat that hiy raise well over half its stock market capitalisation without damaging its core UK retail banking husiness. Coutts is the sort of npmarket name people pay hig bucks for: the stakes in 31 and Yorkshire Bank are not attributed and mnch. Sadly, Mr Patrick Sheehy seems more vulnerable than Sir Nicholas Goodison, Investment trusts Bank are not strategic: and Getting Germans to huy shares in Deutsche Bank or there is no good reason apart from prestige for owning all those expensive American banks

Siemens is hard enough: get-ting them to invest in a UK vehicle specialising in unquoted ventures in China But this sort of thinking is anathema to clearing bank-ers. Their husinesses are so and Korea might have seemed impossible. But Thornton last week launched one of the bigers. Their husinesses are so intertwined on the systems side that they can claim techni-cal synergy even if the com-mercial benefits are far less obvious. Besides, ona of the unspoken reasons for holding on to so many businesses is to prevent them falling into the hands of competitors. They could get round this by fran-chicing their name, but this gest new investment trusts ever, courtesy of some £65m supplied hy notoriously risk-averse German investors. It is the first evidence of the promised gain from the links between the little UK investment houses and big European chising their name, but this might make them too similar banks; and so far, so good.

## way for fiscal and cultural rea-

sons. Thornton/Dresdner The experience suggests tha converse to be true, and that verse to be true, and that investment trusts can actually provide a way round restric-tions on the Continent. In this instance, German mutual funds, which are not able to invest freely in most Pacific countries, find that huying shares in a London quoted investment trust allows them into otherwise forbidden mar-kets. kets.

Meanwhile, the news that the fund intends to invest un to 15 per cent in China might seem pretty hrash in the light of recent events. However, China is the key to the performance of many of the emerging Pacific markets, and those who helieve that China has taken an irrevocable leap backwards are not likely to be interested in this sort of vehicls in any case.

#### Event risk

85 89

The pulling of BAT's \$400m Eurobond issue last week was the clearest possible demon-stration that the phenomenon known as event risk has reached the sterling bond markets. Ever since the RJR Nabisco bid nine months ago, US hondholders have been acutely aware that the lever-aged huy-out movement is a danger to holders of investment-grade paper. As the com-pany is burdened with junk, its credit rating falls. Last week's events brought the same lesson to Europe; hut it was naturally concentrated in the Eurosteri-ing market, since the hostile junk bid is still purely an

Anglo-Saxon phenomenon. The result so far has been an antomatic widening of spreads between sovereign and corporate deht, followed hy a sorting out of companies which are and are not candidates for takeover. The next step may well be to introduce restrictive terms for new issues, such as the so-called poison put; the alternative for companies open to event risk is presumably to offer a higher coupon. Either way, the question is whether the domestic bond market will become attractive to borrowers

in comparison. It cannot yet be that the junk movement has reached Britain, despite the vested interests working to hring that about. But if it has, there is room for paradox: if a company is thought ripe for takeover, its bonds will fall while its equity rises. This may make sense for an individual stock, hut is plainly nonsense for the corporate sector as a whole.

# Coffee price fall jeopardises EC aid fund By Bridget Bloom in London TUMBLING COFFEE prices in the wake of the breakdown of the International Coffee Agree-ment earlier this month could bankrupt one of the European Community's key institutions designad to aid developing

It could also exacerbate differences hetween memher states over the future of the

EC's aid and trade policies. Claims hefore the Staber Fund, established to help stabi-lise export earnings of the 66 countries associated with the EC under the Lome Convention, now amount to more than what remains of the five-year Ecu925m (\$1bn) fund.

Stabex, created as part of the Third Lome Convention agreed in 1985, paid out nearly Ecu800m in lts first three years. It is currently under-stood to be examining claims of several bundred million Ecu for 1988, including one of nearly Ecu160m for compensa-

tion for lost revenue on coffee exports hy the Ivory Coast.

Claims are examined and then paid in arrears. The terms of the fund involve arrangements both to cut back claims and to swell the fund's coffers from other EC aid hudgets if the total fund allocations are exceeded.

However, despite this provision, officials acknowledge that Stabex seems unlikely to be able to meet the demands which are bound to be made on it for 1989, after the difficulties experienced by the Cocoa Agreement earlier this year and now by the coffee pact. The position of Staber is one

of the items due to he dis-cussed in Brussels today when foreign and development ministers meet to consider the progress of negotiations on a fourth Lome Convention. This, possibly involving changes to Staber, is dua to come into force in February next year.

The operation of Staber has heen controvarsial, with Britain charging the fund with failing to work because it has not contributed towards the restructuring of economies such as that of the Ivory Coast, which are heavily dependent on a small number of exported

commodities. However, a number of other memher states, including France, believe that the Fund has provided a useful if limited cushion against the vagaries of fluctuating commodity prices. Britain is expected to propose that the Fund should in future be aimed at diversifying associ-ated states' exports rather than merely stabilising export earn-

ings. Today's EC meeting is unlikely to address the possi-hle bankruptcy of Stabex if only because officials have not yet fully processed the 1988 claims. It will also be many months before the full impact

of the breakdown of the Coffee

Other major commodities covered by the Stabex include cocoa products, ground nuts, palm oil and timber, although included.

a pound. Friday's daily indicator price was just 76.33 cents a pound.

Benckiser

In June, average daily vol-ume on the New York Stock Exchange rose to 180.3m sbares, the third highest monthly average since the China threatens imports move On the American Stock Exchange, June average daily volume was 13.5m, considera-hly higher than in recent

By Lindsay Murdoch in Peking

CHINA is considering reducing imports from the US, France and Australia as a way of pun-ishing them for hardline protests about its crackdown on

examination of new loans. The statement also urged Peking to cease actions against those claiming their legitimate rights to democracy and liberty and to avoid isolating itself.

**buys** Camp included the suspension of all ministerial, political and defence visits; the suspension of new ald projects; and a of Spain for Pta33bn promise to support the deferral of new loans by international By Peter Bruce in Madrid Australia has warned that it will reassess its policy approach if the situation in

Agreement on the revenues of exporting states can be 25595590 Those exporters principally affected include the lvory Coast. Cameroon, Burundi, Rwanda, Uganda, Ethiopia and probably Kenya.

more specialised exports such as vanilla or shrimps are also

The commodities on which most of the 66 African, Caribhean and Pacific countries depend for a large proportion of their foreign exchange earn-ings have fluctuated greatly over the past decade and more. The Coffee Agreement was designed to stahilise prices around a range of 120-140 cents

activity both takeover and val ne-related, average daily vol-ume jumped to 140m in May,

months. In November, for

example, average daily volume was 8.4m. On the Nasdaq

over the counter market, which

seen considerable buying

ume jumped to 140m in May, the highest monthly average since the crash. Analysts have started upping their earnings forecasts for the brokerage community. Salomon's predictions of record earnings in the fourth quarter constraining the neurious - ontstripping the previous record in the first quarter of 1986 of \$265m pre-tax - sug-gests that analysts' predictions will be substantially exceeded.

Although Salomon contends that the improvement in earn-ings came from all sectors of its husiness, Wall Street still regards Salomon primarily as a bend trading house

bond trading house. Mr Perrin Long, who tracks the securities industry for Lip-per Analytical in New York, reckons that although Salomon has been trying to move into the lucrative merchant bank-ing area, the company is still 80 per cent to 90 per cent about bond trading. He reckons that the story of

increased earnings at Salomon has much to do with the fact that the yield on one-year Trea-sury bills has dropped 160 basis points since the end of March. Securities houses with an emphasis on securities trading are highly dependent on volume hecause spreads have become paper-thin.

Seven or eight years ago, according to Mr Long, the spread on a government bond transaction would have been % point aach \$1,000. Now, the spread is nearer to 1/64 point.

In May and early June, indjvidual investors appear to have hecoma more active which should benefit firms with a substantial retail husiness such as Sbearson Lehman Hut-ton, Merrill Lynch and Paine Webber.

The perennial question for the large houses with exten-sive retail operations and their huge overheads is whether higher trading and commission volumes can translate into the bottom line.

All this makes a change from reading ebout defections, firings and cost-cutting or alternatively about the lemming-like rush into fee-earning merchant hanking husiness. With the bond market at yield levels not seen since April 1987, and several of the major stock market indices at or near all-tima highs, the lost art of trading securities has undargone a modest revival.

Wall Street now has to hrace itself for the summer doldrums when trading profits are noto-riously difficult to come by.

The Foreign Trade Ministry has been ordered to study how to reduce imports from these countries without causing financial problems for ltself. according to well-placed Chinese sources.

It is not known whether sim-ilar action is being considered against other Western countries, such as Britain and Canada, which also made strong protests over the killing of pro-democracy campaiguers ast month.

Diplomats stress that the cuts may be only partial and are still at the "consideration stage." There was no reaction from

US to increase military

aid to Afghan resistance

tance.

WORLD WEATHER

China to the statement from the Paris G7 summit calling on the World Bank to postpona

By Lionel Barber in Washington

THE US intends to increase

sharply military supplies to the Afghan resistance in response

to massive airlifts of Soviet

arms to the Kahul Govern-

The US arms will includs

weapons capable of destroying airfields and aircraft, according

to Administration officials who

admit heing taken aback hy

the firepower shipped by the Soviet Union since its troop

Washington estimates that

the Soviets have been shipping

weapons worth \$200m to \$300m

a month since early March. The poor performance hy the

Afghan resistance, particularly the stalled offensive against Jalalabad, can be attrihnted partly to the rise in Soviet sup-plies, officials said.

The US has therefore decided to supply rocket shells and spe-

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withdrawal last February.

China's official press did not mention the statement yesterinstitutions

day. The New China News Agency report from Paris did not refer to the criticism, men-China worsens. Officials at China's Foreign tioning just the declaration's Trade Ministry are reported to support for reforms in the Soviet hloc and promises of financial aid for Hungary and be studying whether it is via-hle to find alternative markets for Anstralian products, including iron ore, wheat, wool Poland

China has not responded publicly to the Australian Gov-ernment's decision last week to "appreciably" downgrade its relations with China Senator Evans, Minister for Foreign that most of its biggest con-tracts with China were at prices that China would find hard to obtain elsewhere.

Affairs and Trade, announcing the move, said that China's suppression of the pro-democ-racy movement had created "widespread shock and revulnal dissent intensified at the weekend as Western diplomats received more reports of spas-modic murders taking place in sion." Anstralia's downgrading

cial mortar shells for ripping

up runways used by Soviet air-craft. Earlier this year, Wash-

ington began to wind down

supplies of sophisticated weap-

onry, such as Stinger anti-air-craft missiles, to tha resis-

The US and Soviet Union agreed in April 1988 to act as

guarantors of the Geneva

peace accords providing for the withdrawal of about 115,000 Soviet troops in Afghanistan.

Both, however, reserved the right to supply their respective clients, which guaranteed a

US officials are concerned

about suggestions made by Mr Yuli Vorontsov, the Soviet

Ambassador in Kahul, that

Moscow may grant an Afghan Government request for MiG-29s and the latest Sukhoi ground-attack jet fighter.

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protracted civil war.

the capital.

and sugar.

Australian diplomats sald

China's crackdown on inter-

G7 issues pledge

on Third World

and environment

ronmental policies are mutu-ally reinforcing," it said. The seven pledged to ensure the compatibility of economic growth and development with

protection of the environment

and called for enhanced inter-

national co-operation in tech-nology to reduce pollution and provide alternative solutions.

The seven nations urged the

World Bank and regional

dsvelopment hanks to inte-grate environmental consider-

ations into their activities. They said aid might be har-

iney said ald might be har-nessed to encourage develop-ing nations to tackle environ-mental prohlems and raised the possibility of debt forgive-ness in environmental protec-tion.

tion. In their final statement, the seven said the depletion of the ozone layer was "alarming" and they called for "prompt action" to deal with the issue. Responding to West German concerns, the summit also

concerns, the summit also appealed to producing and con-suming countries to preserve the tropical rain forests more effectively. In endorsing Mr Brady's debt plan, the summit nations called on banks "to move promptly" to conclude resched-uling agreements involving dsht reduction and provide new money for the dehtor

new money for the dehtor

They said governments were willing to consider eliminating tax, regulatory and accounting

obstacles to debt and debt ser-

nations.

vice reduction.

Continued from Page 1

BENCKISER, the acquisitive West German detergents group, has bought 100 per cent of Camp, Spain's biggest privately-owned detergent producer, for some Pta33hn (\$283m) in an eleventh-hour bid which upset an attempt hy Procter & Gamble of the US to buy the Spanish company.

The price is one of the larg

est paid for a family owned Spanish company hy a foreign investor. Camp, which is based in Barcelona, claims to control between 20 and 25 per cent of the detergent market in Spain, the fastest-growing in Europe. Its main washing machine brand, Colon, helped push the company's sales to Pta30.9bn last year for net profits of about Pta900m. But Camp has been plagued

this year by a debilitating power struggle between the three Camp brothers who control the group and which led to the dismissal at the beginning of the year of Mr Mannel Luque, its flamhoyant chief executive. For more than three years he

had run a series of personal television advertisements which helped bring Camp ont

of the losses it had suffered for most of the early 1983. Benckiser, based in Ludwig-shafen in Lower Saxony, is also family-controlled. It recorded sales of DM1.49hn (\$310m) last year and expects tbese to rise to DM2bn-DM2.2hn this year. Last November Benckiser beat its main West German rival, Henkel, to take control of Panigal, the Italian detergent and foods group. Henkel is also under stood to hava made a bid for Camp. According to reliable infor-

mants close to the Camp deal, Procter & Gamble had been negotiating for some time to huy the trouhled comany. Benckiser made a surprise appearance late last week with a better offer and the sale was rushed through early on Satur-

day morning. Mr Peter Harf, Benckiser's chief executive, made it clear earlier this year that he was looking for acquisitions in Spain, Italy and Portugal and the Camp purchase further established West Germany as easily the most important for-eign investor in Spanish indus-try. try.

Camp has an important market position in Israel and from Barcelona lt is also well placed to expand into southern France, northern Italy and, possibly, Portugal

to MacDonalds.

The Bank of England is partly to hlame. It is much easier to keep an eye on a handful of hig banks which play by the rules, and too much competition is not good for the stability of the banking system. However, it would be hard to challenge the case for breaking up the clearing bank conglomerates if an enlight-

When Thornton teamed up with Dresdner Bank, Tonche with Société Générale and GT with Bank in Liechtenstein, it seemed douhtful to some whether mighty European dis-trihution arms would be of much use in selling UK products. The investment trust sector, more than most, is almost exclusively owned hy UK investors, and it was generally assumed it would stay that



**Omnicom Group Inc.** 

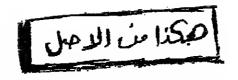
through a wholly-owned subsidiary has acquired

# **Boase Massimi Pollitt plc**

The undersigned acted as sole financial advisor to Omnicom Group Inc. in this transaction.

**MORGAN STANLEY INTERNATIONAL** 

June, 1989





# **FINANCIAL TIMES COMPANIES & MARKETS** Monday July 17 1989



# INSIDE

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# **BAT: from the birth** of a £13bn bid...



The structure and nature of the bid for BAT raises eome important ques-tions for the global debt merkets, notably the consequences of train-Ing American financial firepower on the European scene. Page 25. Also to be answered is who Hovlake, the com-

pany through which the consortium headed by Sir James Goldamith is making its bid, might be epproaching to become additional equity investors in the takeover vehicle. Page 24

... to questions of parental control Are the parts of conglomeratee worth more then the whole? The Issue will feature promi-nently in the bid for BAT. Michael Skepinker, in

tha Business Column, examines tha various "paranting" or management styles applied by lerge companies to their subsidiaries, ranging from "financial control" businesses to "strate-gic planning" ones. Page 38

### **AT&T direct line to De Benedetti**



It may just have been etieg, but Mr Robert Allen, AT&T's president, never quite managed to ook as relaxed and happy in Milan on Saturday about his new \$850m investment than did its reciplant, Mr Carlo De Benedetti, the italian deal makar extraordinaire (left). Mr Allan, howevar, was

adamant that ha would have no difficulty in persuading his shareholders of the wisdom of his mova, writes John Wyles. Pege 27

#### **Underpinning Britain's** high-rise property shares

The UK property share market, now at a higher lavel than before the October 1987 equity crash, is likely to be given a furthar boost this morning. It will be absorbing the news that investors are prapared to pay higher than net asset value to take over companies in tha sec-tor, following the declaration that a consortium put togather by Mr Staphan Wingate will pay 650p a share for an agreed takeover of imry Marchant Developers. Page 24

	Harket Stati	etic	-				
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ild share speculation or harbinger of a take-over bid for Cadbury Schweppes, Britain's largest confectionery and soft drinks group? Both views are possible after last week's feverish trading activity in the group's shares which, already too high on fundamen-tals, on Thursday rose 15%p to 430%p and then leapt to close at 462p on Friday. Cadbury, with its two core

businesses, has been the focus of intense takeover speculation for two and a half years - ever since General Cinema, the US cinema and investment group, took a strategic stake, currently about .17 per cent. In a booming market for corpo-

in a booming market for corpo-rate takeovers – which reached a new climar last week with the \$13bn (\$21bn) bid for BAT Indus-tries – it was fairly inevitable that Cadbury's name would crop up as a possible bid target. While General Cinema appears to be in no work to act scores.

to be in no rush to act aggres-sively itself or sell its stake the market appears convinced that a hostile takeover bid is being put together. The argument goes that

together. The argument goes that General Cinema, with its astute investment strategy, would emerge and sell its holding when a serious offer was on the table. The betting is on a bid led by Jacobs Suchard, the Swiss choco-late group whose chairman, Mr Klans Jacobs last year unsuccess-fully challenged Nestlé for Rown-tree, the York-based confectioner. Another name sometimes men-Another name sometimes men-

tioned - but only as a long shot - is Hershey, the US food group. Swiss analysts appeared ambly-alent about the possibility of an imminent bid from Suchard whose last balance sheet showed net cash of £390m and £753m shareholders' equity. Suchard is expected to have flat profits this year and its ET Brach confectionery business in the US is still facing serious problems. Mr Andreas Meier, an analysi

at Zurich Cantonal Bank, said Suchard has lost its appetite for UK companies now Nestlé has snatched the Rowntree pearl.

Mr David Crosthwaite, of Hen-derson Crosthwaite, the stockbrokers, said: "If a takeover for Cadkers, sain: If a takeover for Cat-bury does not happen now, speculation will come up again and again so long as this stake is held by General Cinema. Suchard has to be the front runner because of the fit between its confectionery business and that

of Cadbury in Europe." Suchard, with Mr Jacobs controlling over 55 per cent of voting world class players in the business. The group commands about 12 per cent of the Swiss and European Community's chocolate confectionery market. Cadbury has nearly 10 per cent, the same as Ferrero, Mars 17 per cent and Nestlé about 23 per cent. Cadbury itself is actively investigating acquisition opportunities in this marketplace, where manu-facturers are striving for critical mass. But, Cadbury - which would make an ideal fit with Ferrero - is the only large player vulnerable to a hostile take-over bid. Other players are either con-

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South Korea.

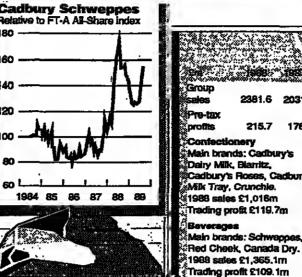
when he castigated the Euro-

from outside the 12 nation

He made his remarks on the

processed more than 1,300

pean Commission for exce zeal in imposing anti-dumping daties on products imported



# The irresistible chocolate box

Lisa Wood on the reasons behind feverish trading in Cadbury shares

trolled by families or trusts. Rowntree was acquired at 12.5 times 1988 operational cash flow and if Cadbury was valued on the same basis it would be worth about 650p per share, giving the group a price tag of £4.5bn. So if Suchard were to bid, it would find Cadbury a pricey morsel and would quickly need to sell the soft drinks business

Analysts snggest that Coca-Cola, a partner with Cadbury in Coca-Cola and Schweppes Beverages, a company responsible for both company's soft drinks brands in the UK could be a will-ing purchaser of many of Cad-bury's soft drinks businesses.

But whatever emerges, Cad-bury has become a much stron-ger business in the two years since General Cinema took its stake. The company started to build up much are the build up problem areas in the 1970s and then badly faitered in its results in 1985 - largely because of difficulties in the US

with its Peter Paul subsidiary.

a move to take a strong position in the fragmented sugar confec-tionery market.

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Elsewhere in the world, the buy-in of the minority sharehold-ing in its Australian business is intended as a cornerstone in Cad-bury's long-term plans for devel-opment of its business in the Pacific Basin

In soft drinks the tie-up with Coca-Cola in the UK is emerging as an exceptionally good deal for both sides with Cadbury keen to develop its relationship with Coca-Cola on the Continent where it also bottles for Pepsi-Cola in Spain, Cadbury appears confident that it will not suffer in the shake-out that is occurring on the Continent in the growing

war of the colas. Mr David Nash, Cadbury's finance director, says that clearly earnings per share growth cannot continue at the recent rate. Organic growth will continue from the existing business while "sensible acquisitions" are being made, like the recent acoustion

SII: acronym for American protectionism **By Anthony Harris** 

in Washington

esident Busb is returning from Paris a some-what diminished man. The nickel-end-dime finance be offered to support his rhetoric on Poland and Hungary has not gone down well here; the failure of the banks to deliver a failure of the banks to deliver a Mexican package in time for a summit triumpb, after much talk of "intense political pressure" on them, enggests that the White House has lost clout. And his foreign policy press conference, in which be was reduced - not for the first time - to complaining that "I am the President, and I set policy," looked petulant, not strong. The strong Summit language on the environment may bold

on the environment may bold some promise for the future, but the main practical results of the meeting are that the Europeans have emerged as the policy lead-ers on trade with the European satellites, France as the spokes-man for the indebted developing countries, and Japan as the coun-try to which they will look for funds. So mucb for American leadership.

The only clear "achievement" the President is bringing bome is the so-called Structural Impediments Initiative, or SII, whose initials seem designed to arouse

wide, distant hopes, like SDL This is s joint US-Japanese study of the Japanese distribu-tion system, and other supposed barriers to imports in Japan, which have already been studied pretty exhaustively by many

experts. Its real purpose is to find a way round the Japanese refusal to join in the negotiations required under the Super 301 trade clause, and so avoid an immediate confrontation.

SII is quite respectable, as such evasions go. The Japanese inter-nal market, a weird mixture of Government direction, rambling is quite unlike any textbook model of a market economy, and the policy implications are worth exploring. All the same, it could prove

After all, Congressman Richard Gephardt ran for the Democratic nomination on the mercantilist ticket, and failed

The rest, it can be argued, is rontine American special-interest politics The truth is, though, that Mr

Gephardt lost because be ran out of money, and was weak in organisation; otherwise be might well have beaten both Governor Dukakis and Mr Bush.

His standing in the Democratic party has improved - indeed, he is now their majority leader in the House, outranked only by the Speaker. He has said he will not run for

1992, but his influence is likely to

be strong. Meanwhile, trade fears are being inflamed not only by the slow progress of deficit-reduction, but by what Europe plans to do by the end of 1992.

While an encouraging number of American industrialists do now seem to understand that the single European market is an opportunity, populist comment still sees it as a large, ill-defined threat. (See last week's New-sweek for an extreme statement

of this view.) The twin-deficits explanation of American trade weakness was

over-simplified, as Mrs Thatcher has proved with her demonstra-tion of how to run a trade deficit and a budget surplus; but it has largely vaniebed from the US debate not because of Mrs T. or of any learned refutation, but simply because everyone got bored with it.

eanwhile, Congress is busy proving that at beart it was right. sions on the defence budget are a textbook case, The Defence Secretary, Mr Dick Cheney, is trying to make some strategic choices, but



only inflates the deficit, but undermines US competitiveness. If Mr Bush were seriously wor-ried about the trade deficit - and the Republican right constantly tells bim not to worry – he would scrap SDI rather than launching SII; but nobody is even discussing such an option.

It is economically sensible, but psychologically forbidding.

A nation which is losing power bangs onto the trappings and hardware of power. Any Britisb commentator wbo remembers the East of Suca

debate or the Blue Streak rocket sbould be sympathetic rather than critical,

t is not belpful that the eco-nomic publicists in this country, who still enjoy a prestige that they bave long lost in Europe, are not really belping to explain what is going

The US market seems to want doom, or cbeck-lists of "impera-tives": what must be dooc about competitiveness, or takeovers, or whatever is the fashionable ill.

There is thus a large market for Washington-bashing, or Tokyo-bashing, and another for "industrial policy", but very little in the way of new insights. What would be much more constructive would be a best-caller which would be a out out

seller which would set out the relationship between consumer debt and national debt, and explain why American consum-ers have been so debt-addicted; or another to popularise last week's message from Mr John Reed of Citicorp, who explained how US financial regulations make the system risky and inefficient rather than safe and transparent. The same could be said of mncb existing commercial and

industrial policy. America's allies could also help ucult tra

for the moment the biggest help may come from Mr Gorbachev,



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BAT Industries BCE Development Benckiser	24 27	National Telecoms Olympia & York	22
BAT Industries BCE Development	24 27 27 27 24	National Telecoms Olympia & York Panfida Group	27

driven by Mr Dominic Cadbury, the chief executive, has injected fresh energy into the business, with earnings per share up by 150 per cent in the past three years. An important element of the strategy has been to dispose of difficult or peripheral businesses - like Peter Paul in the US and Premier Brands, the Ty-Phoo tea business in the UK.

The chocolate businass has been strengthened by a number of acquisitions, including that of Poulain in France, while the group this year bought Bassetts, the Jelly Babies manufacturer, in

of Hueso of Spain, which analysts reckon has been made at around ten times earnings.

Certainly, Cadbury'e recent move to raise its borrowing lim-its to £1.7bn looks like prepara-tion for it to make a sizeable acquisition - a move which could also dilute General Cinema's stake

General Cinema sought, unsuc-cessfully, to block the borrowing move. So even if Cadbury does not itself face a bid, it remains stuck with a very difficult and rather unpredictable shareholder breathing down its neck.

dangerous, because these terms of reference will encourage American paranoia about trade. It is only to easy to suppose that the threat of American pro-tectionism – or rather mercantil-ism, since its central doctrine is vokes a witch-hunt for corruption and crooked accounting, which probably account for a percentage point or two of the total budthat trade is war, pursued by other means - is a myth, this bundred-flowers approach to defence equipment ties down the invoked by Secretary Baker and others when they want to put pressure on their trade partners. maximum number of qualified

him do it. Every major project is a local roject for some Congressm

Apart from the money cost,

a second a second s

All of these Shares having been sold, this announcemen appears as a matter of record only

wbo wants to negotiate away rtually none are allowed to die. some of the defence burden. Instead, spending on each pro-gramme is slowed down, a pro-cess which leads inevitably to Japan is not well placed at the moment to give a diplomatic lead, but Europe should be able cost escalation; this in turn proto do more.

A big EEC campaign to sell the opportunities of the single mar-ket, and indeed to invite US investment in it, might help to change perceptions. The EEC is already reaching a business and ence, but the political threat can only be met through the mass television audience.

# Economics Notebook **Inviting fear among EC bankers**

nannered bunch.

But they are up in arms fol-lowing a proposal from Mr Pierre Beregovoy, France's Finance Minister, that they bould participate as a matter of course in the monthly meet-ngs of EC economics and

inance ministers. This seemingly modest idea This seemingly modest idea has raised fears among the community's central bankars that France and the EC Com-nission are seeking to bring nonetary policy in Europe mdar the control of the EC's inance ministers and the Brus-wels bareaucracy. France is determined to rress ahead with implementa-ion of stage one of the Delors lepart on economic and monentir (ne.

Report on economic and mone-ary union, which anvisages he strengthening of economic ind monetary co-ordination in be EC within the existing nstitutional framework.

But the general feeling mong central bankers is that Ar Beregovoy has fallen prey o an excess of French revolu-Politi ionary fervour in calling the entral bankers to attend the

neetings of ministers in Brus-Central bank officials doubt hat Mr Beregovoy wants the C central bank governors to

articipate on equal terms with ha finance and economics ninisters in the monthly cofin councils. According to one European

entral bank official, the 'rench minister's letter outlinng the scheme was unusually brupt and peremptory, giving he impression that be was poking to the bank governors o act as "wallpaper" in the

If complied with, Mr Berego-oy's plan could lead to a veskening of the present sys-sm of central bank co-opera-ion based on the monthly acctings of central bank gov-

THE EUROPEAN Community's central bank gov-ernors are normally a mild

It is unlikely at present that Mr Beregovoy will get his way. The Bundesbank, the most independent of the EC's central banks, has made clear to other central banks that it will resist

the French proposal. The central bankers can also draw some comfort from the Delors Report. The report envisages the existing EC committee of central bank gover nors playing e greater role in co-ordinating economic and monetary policies in stage one of progress to economic and

monetary union. It proposes only that the chairman of the EC governors should take part in "appropriate council meetings."

the good provided by the Tokyo Round of tariff cuts agreed by the world's trading On the other hand, history is not entirely on the central bankers side. Towards the end of the 1970s, as the European nations in 1979. Anti dumping - the practice of imposing duties on foreign Monetary system was being created, it was considered quite normal for central bank-ers to participate in the Ecofin producers that sell products below their production or retail

meetings A lot will depend on Mr Demetrius Chalikias, the Greek Central Bank Governor who is chairman of the EC central bankers committee. He will have the job of telling Mr Bere-govoy that his idea is unac-ceptable.

anti-dumping cases and nearly 500 similar subsidy countervail If Mr Beregovoy fails to accept this line of reasoning, pressure could grow for some-The bad news is that anti-dumping procedures are grow-ing in popularity world wide. According to Mrs Ostry, Aus-tralia and Canada now use anti-dumping measures freone with stronger institutional backing to take over the EC committee post.

Alreedy, there are some sug-gestions that Mr Karl-Otto quently. Pohl, the Bundesbank presi-Ironically, developing com-tries are also framing antident, should be given the job when Mr Chalikias' term dumping legislation just as they have undertaken unilat-eral trade liberalisation meaexpires at the end of the year.

In the damps Mr Nigel Lawson, the UK Chancellor, was showing off his free trading credentials to good effect in Paris on Friday

THE MOOD of world financial markets this week will hinge largely on tomorrow's US trade figures for May which could influence trading in dollars and other currencies.

THIS WEEK

Analysts will scour the figures for signs of an easing in global trade imbalances and a slowing in US economic activity. The consensus of analysts He made his remarks on the day after the Commission in Brussels had imposed duties ranging from 6.4 per cent to 33.9 per cent on compact disc players made in Japan and South Koma forecasts, compiled by MMS International, the financial research company, is for a mer-chandise trade deficit of \$90m on e customs imports basis. Other US indicators include

June's consumer price index on Wednesday - the main inflation indicator. The consen-According to Mrs Sylvia Ostry, the former head of the Organisation for Economic Cosus is for a rise of 0.3 per cent. In the UK, attention is likely operation and Development's department and Development's economics and etatistice department and Canadian gov-ernment "sherpa" helping to prepare the annual economic to focus on the strength of the borrowing and consumer summite, anti-dumping mea-sures have more than undone

Department of Trade and Industry figures for retail sales In June are released today. If the latest Confederation of British Industry/Financial Times survey is a guide, they should show a modest underly-

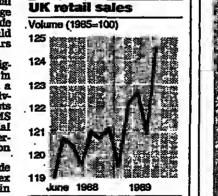
ing rate of growth. The consensus of analysts forecasts is for a fall of 0.5 per cent after a 3 per cent jump in prices - may be fine in theory as a way of feading off unfair

UK money supply figures for June on Thursday, will filus-irate, not only the strength of borrowing, but also the buoy-ancy of economic activity. Ana-lucts will also he looking to see But Mrs Ostry has calculated that between 1980 and 1987 the EC and the US have together lysts will also be looking to see whether M0, the narrow measure of the money supply, is heading nearer the Treasury's 1 per cent to 5 per cent a year

target range. The consensus is for a 0.5 per cent rise in M0 between May and June. M4, the broader mea-sure which includes bank and building society deposits, is expected to have risen by 1.8 per cent. A rise of £6.5bn in bank and

building society lending is forecast. In France, key statistics

sorres and are taking part in the Uraguay Round of trade liberalisation negotiations. Include retail prices figures for June, expected on Wednesday. The latest figure could see an acceleration from the 3.7 per cent a year inflation rate Peter Norman.



reported for May. In West Germany, analysts will be watching the interest rates terms of the latest batch of securities repurchase agree-

Money supply figures are expected to be published around Thursday.

Other events and statistics this week (with MMS International consensus in brackets) include:

Today: US, Business inventories in May (0.6 per cent rise). Seven-year Treasury note set-

tement. Japan, money supply figures for June. Tomorrow: UK, public sector borrowing requirement for June (deficit of £100m). Mr Peter Lilley, economic secre-tary to the Treasury speaks on economy at Centre for Policy Studies conference. Australia current account deficit for June. Japan, household expenditure for May,

Wednesday: US, housing starts and building permits for June (1.35m). Two-year Treasury note announcement. UK, construction, new orders in May. France, industrial production for May.

Thursday: UK, Bank of England figures on institu-tional investment in first quar-

Friday: UK, consumer spend-ing in second quarter (rise of 0.5 per cent). Engineering sales and orders in May. US, 52-week Treasury bill announ

**June 1989 International Offering of** 6,666,667 Shares of a nominal value of NOK 50 each Offer Price: U.S. \$15 per Share

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# **UK COMPANY NEWS**

## Property market set for a further boost Heavy trading in **Bid for Imry underpins speculation**

#### By Paul Cheeseright, Property Correspondent

market, now at a higher level than before the October 1987 equity crasb, is likely to be given a further boost this morning. It will be absorbing the news that investors are prepared to pay higher than net asset value to take over companies in the sector.

24

The declaration that a consortium put together by Mr Stephan Wingate and his Development & Realisation Trust will pay 650p a share for an agreed takeover of Imry Merchant Developers underpins bid speculation.

This speculation has given the property sector a fevered appearance, independently of the general tone of the market, the general folls of the market, set by the bid for BAT Indus-tries. Now that Imry is going, the sector will be watching closely for any sign that Brit-ish Aerospace will conclude its extended negotiations for

Arlington Securities. Marketchief, Mr Wingate's consortium, is ready to pay a total of £314m for Imry, mak-ing the takeover one of the biggest in the sector since the equity market crash. The offer

THE PROPERTY share is made up of 650p cash for market, now at a higher level each ordinary share and 100p for every bary convertible preference share, with a loan note alternative. The price for the ordinaries is 100p higher than the net asset value published in the

The apparent generosity of the Marketchief price makes it clear that Imry will continue

as a going concern. It was not cheap enough to break up at a profit. Indeed, the existing management team, under Mr Martin Myers and Mr Martin 1988-89 accounts, 114p higher than the market price immedi-Landan, respectively chief executive and deputy chair-man, remains in place. The ately before the announcement of bid talks, 31p higher than the price at which Imry starts trading this morning and around 30p higher than the price at which it was assumed controversial office develop-ment at the Shakespearian Rose Theatre site, south of the Thames in central London, is not affected. Imry would succumb. The Marketchief offer is thus of a different order from recent

not anected. The main shareholder in Marketchief is Eagle Star Insurance, followed by mer-chant banking affiliates of Pru-dential-Bache Capital Funding and Mr Wingate's company. takeover activity in the sector. Peel Holdings secured London Shoo at just under its asset value. The same was true of Wereldehava's takeover of

Peachey Property. Rodamco refnsed to raise its hid for Hammerson to the level of the The market may interpret the involvement of Pruden-tial-Bache as potentially bull-ish, because it is the first obvilatter's revised valuation of its ish, because it is the first obvi-ous sign that US investment capital is moving into the Brit-isb property sector. The likeli-hood of such a move has been long speculated. Negotiations between Mar-ketchief and Imry have been assets. Further, the offer cuts across recent atock market trading experience, where the major property investment companies were trading, until the recent rise in the market, at a

discount of around 30 per cent to their net asset value. much more rapidly concluded than those between British Aerospace and Arlington. They were much simpler. By the weekend, Britisb Aerospace had not made a decision to go ahead with a bid, although it can be expected to make up its mind this week or next. Britisb Aerospace, like AB Ports and BAA before it, wants a property developer to exploit its portfolio of land, enlarged by the acquisitions of Rover and Royal Ordnance. It has decided that in the long run it

would be more profitable to keep sole control of its pro-jects, rather than become involved in joint ventures of the type it has arranged with Trafalgar House. Arlington is a target because, through its business parks, it has experience of

dealing with large expanses of space. But the difficulty is its network of joint ventures and web of non-recourse financial arrangements. British Aaro-space is going through these carefully: the residual value and the potential liabilities will dictate the price British Aero-

space is prepared to pay.

The average daily vol-mme the previous week had been around 2,000, and that included an unusually active day tha previous Friday, with 4,000 lots traded.

Options present a highly geared vehicle allowing investors to take ad-vantage of price changes, occasioned for instance by a bid, or bid ru-

Members of a bidding group can legally accumulate op-tions positions np to a certain level before they must he declared, bnt tra-ders noted that this practice was not common in the

Heavy options and share dealing in advance of last September's bid for **Consolidated Gold Fleids** prompted an inquiry by the stock exchange and leter by the Department of Industry regarding allege-tions of insider deal-

# possible partners in BAT bid **BAT** options By Nikki Talt prompts SE inquiry By Katharine Campbell

THE LONDON Stock Exchange is inquiring into the heavy trading in BAT Industries options that took place during the run up to Huylake's £13hn bid which was announced last function last Tuesday.

Mr Tony de Guingand, director of the London Traded Options Market, said that while the stock ex-change insider dealing group had asked for informa-tion abont the trading pat-terns, this was entirely rontine in bid sitnations.

Last Monday 9,864 con-tracts changed hands, rep-resenting an underlying volume of nearly 10m shares, and accounting for ronghly a quarter of the total volume on the Londan Traded Options Market. Market.

On the day of the bid, 11,161 options contracts were traded.

vehicle.

contest has disappointed some investment bankers, who saw Sir James's audacious move as a potential catalyst for more large scale takeovers and restructurings in Britain and the rest of Europe. Amid signs that the supply of candidates in the US is running out, many

suggestion as "speculation", adding "I'm not aware that there's anything in it". Lord Weinstock, GEC's managing director, declined to comment. There is, however, already an indirect link between GEC and Hoylake. Mr Ronald Grier-son, GEC's deputy chairman was amounted a non-executive HOYLAKE, the company through which the consortium beaded by Sir James Gold-Despite weekend press spec-ulation that the likes of GEC, the large UK electronics group, smith is making its £13bn bid Paribas. the French bank, or for BAT *Industries*, yesterday refused to make any comment on who it might be approach-ing to become additional equity investors in the bid the Italian Agnelli family, which controls motor group Fiat, might become involved, Hoylake said that could not was appointed a non-executive director of Anglo, which has voting control of Hoylake, two months ago. Paribas and the Agnellis have invested along-side Sir James in the past –

Hoylake refuses to name

confirm or deny the suggested names, and tendad to play down the idea of an early announcement

When the hid was announced last week, the cur-On Friday, Hambros Bank, Hoylake's merchant bank advisers, said that no definitive rent consortium - comprising companies headed by Sir James, Mr Jacob Rothschild agreements had yet been reached with further invest-

Paribas vary recently via another Anglo associate, Sun-ningdale, when it acquired a 29.9 per cent stake in Ranks Hovis McDougall. Lord Prior, chairman of GEC, last night described the

**Cool response from Wall Street** 

The arbitrage community's initial disappointment with the BAT offer has been reflected in relatively subdued trading in BAT American Depositary Receipts, as well as the now fairly modest premium to Hoy-lake's offer in BAT's share orice. **Bankers** and arhitrageurs gave several reasons for the relative inaction on Wall

While most of Wall Street's top investment banks and leveraged buyout houses were still doing their sums over the weekend on Hoylaka's offer, people directly involved in the battle thought it was unrealistic to expect any specific initiatives either from BAT or from other potential bidders until Sir James Goldsmith and partners proved the seriousness of their intentions. Several arbi-trageurs said they had not yet decided whether to take posi-tions in the BAT bid.

Wall Street's snbdued response to the BAT takeover by concerns about excessive It could also face anti-trust problems. The possibility remains, however, that KKR could take part in a bid for BAT, if it could find a partner interested in owning the Brown & Williamson tobacco business.

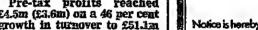
Shearson Lehman is one of the US investment banks helping to organise BAT's defence, while Forstmann Little has shown no interest so far in extending its activities beyond the US and may not have the extensive international contacts required to mount a bid for BAT.

for BAT. Other US groups believed to be studying a BAT buyont include Morgan Stanley, Mer-rill Lynch, First Boston and Wasseratein Perella. Wall Street is sceptical of Wasser-stein's ability to finance such a transaction, although the first three groups would probably be able to do so. A consortium bid, involving

A consortium bid, involving several US/international investment banks and LBO groups, could be more likely. A more fundamental concern relates to the differences between US and UK investment and legal attitudes. The UK legal system is seen by some as more conducive to hostile takeovers, but many on Wall Street question whether UK institutions are ready to back large LBOs and the like.

exposure to the tobacco indus-De La Rue to sell ing. see Europe as a lucrative new try among its investors. This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange and does not constitute an invitation for the public to subscribe for or purchase shares. **Crosfield Electronics** Panfida at £0.56m Aim rises 26% and By Ray Bashford Application has been made for the grant of permission to deal in the Unlisted Securities Market on The Stock Exchange in the undermentioned securities. It is emphasised that no application has been made for these securities to be edmitted to listing. Dealings are expected to commence on 20th July, 1989. despite US losses calls for £9.3m De La Rue, the bank note printer and electronic equip-ment manufacturer, will tomorrow announce the sale of Crosfield Electronics, the com-pany's troubled computer Aim Group, the manufacturer of aircraft Interiors and equip-ment, boosted pre-tax profits 26 per cent during the year to April 30 and is making a one-Panfida Group, the retail and property company which is embroiled in a legal battle with Guinness over the sale of Martins newsagents, reported prepany's troubled to appet for-four rights issue. Pre-tax profits reached £4.5m (£3.6m) on a 46 per cent tax profits of £561,000 for the half year to March

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US\$200,000,000 Guaranteed Floating Rate Notes Repayable of the Option of the Holder at por Commencing October 1982 Citicorp Overseas Finance Corporation N.V. (incorporated with limited liability in the Notherlands Antilles) Unconditionally guaranteed by CITICORPO Notice is hereby given that the Rate of Interest has been fixed at 8.6875%

# NHL loses bid battle for Business Mortgages By Nikki Talt

NATIONAL HOME LOANS, the largest mortgage company in the UK, has acknowledged defeat in its six week battle for Business Mortgages Trust, the west of England commercial mortgage company, and sold the 29.9 per stake it acquired

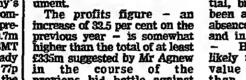
By David Barchard

on June 2 NHL said that the stake had been sold for 83p per share to Nykredit, the Danish martgage group, which lannched a counter-bid for BMT two weeks ago at 77p per share with the blessing of the company's man-agement. NLH's withdrawal leaves the Danish group virtually assured of the success of its bid with 48.1 per cent of BMT's capital. However, NHL has obtained a premium of 22p

per share on its 4.5m ordinary shares in BMT and forced Nykredit to raise its offer of June 29 by a further 6p per share, representing a total pre-mium of 36.1 per cent over the middle market quotation on June 2

The deal triggered an auto-matic increased offer from Nykredit to all BMT sharehold-The estimate is given in a letter to shareholders from Gold Fields' chairman, Mr ers under Rule 9 of the City Code on Takeovers and Mergers, bringing the company's ument market valua to £12.5m, compared to the £11.6m of its pre-vous cash offer and the £10.7m all-paper bid by NHL. BMT shareholders who have already accepted the earlier offer of 77p

will automatically receive the benefit of the increased offer,





mining investment company which is facing a recommended £3.5bn bid from Hanson, are estimated at not less than £350m for the year to end-June.

Rudolph Agnew, and contained in the formal Hanson offer doc-

in the course of the previons bid battle against Minorco, the South African-



controlled investment com-Mr Agnew adds that earn-

ings per share for 1988-89 are now estimated to be not less than 102p. This compares with 100.2p in

the previous year, including 37p from the sales of operations.

He also says that he believes the Hanson offer undervalues Golds Fields' long term poten-tial, but that the board has UK. been advised that - in the absence of a recommendation and in present circumstances - Hanson would be likely to obtain control at a

value "materially lower than that now being offered".

31. However, after tax and

tralian media tycoon -suggested that details of additional investors would be announced "in due course". By Anatole Kaletsky in New York TAKEOVER SPECIALISTS on

and Mr Kerry Packer, the Aus-

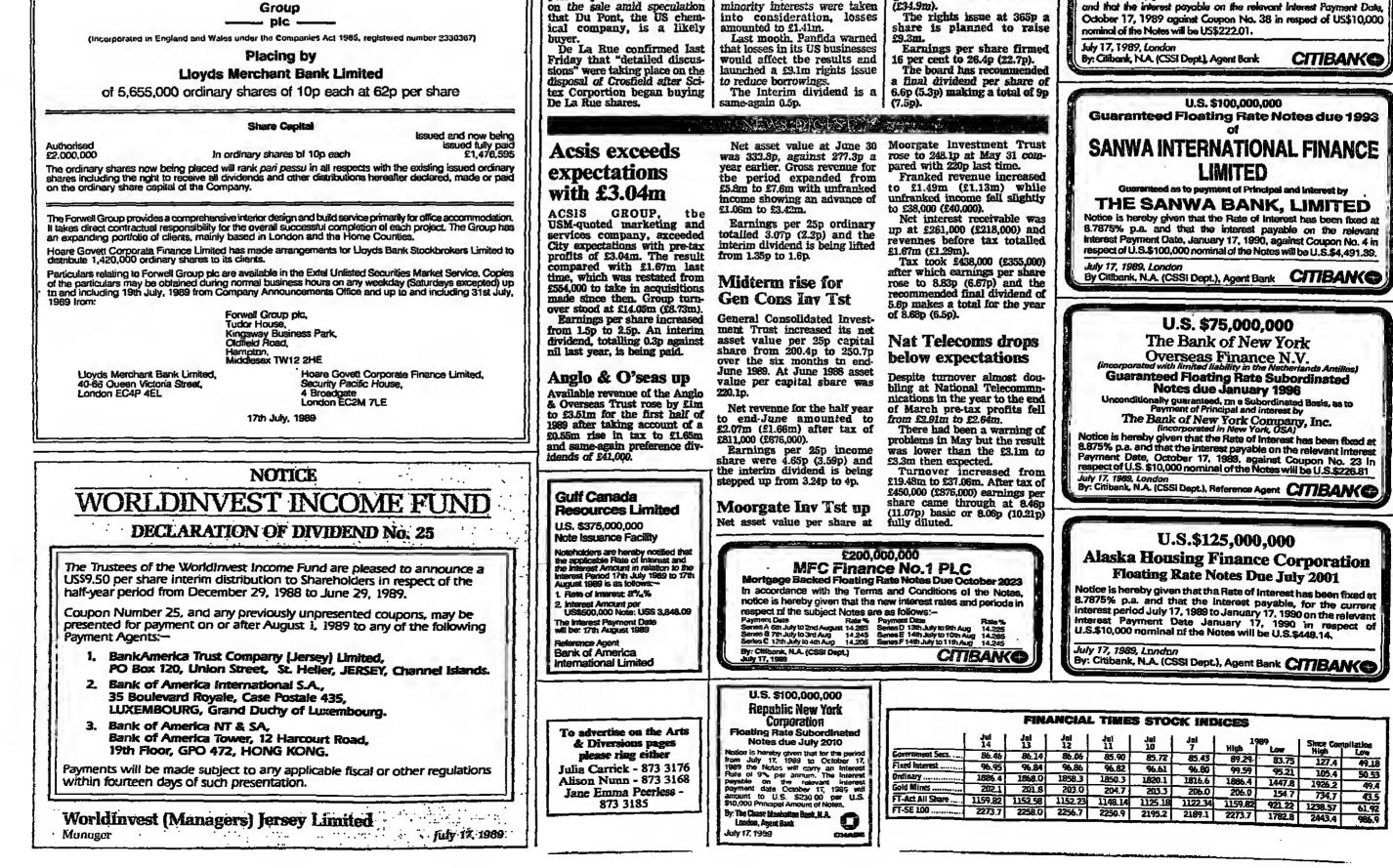
Wall Street ara growing increasingly uncertain about the seriousness of Hoylake's offer for BAT, as well as about the chances of an alternative white knight bidder emerging. BAT's US strategists intend to exploit this scepticism fully. Initially at least, they will rely on a "just say no" defence, instead of trying to organise alternative offers or restructur-

Street. One was that US arbi-

stragears have burnt their fin-gers several times by following Sir James's takeover manoeu-vres and had less faith in him than in other bid specialists, like Mr Carl Icahn or Lord Hanson.

There was also scepticism about a white knight bidder for BAT emerging from Wall Street. The most likely organis-ers of an alternative to Hoy-lake's bid were seen as the three groups who put together leveraged huyout offers for RJR-Nabisco last year. These were Kohlberg Kravis Roberts, Forstmann Little & Company and a consortium spacelly

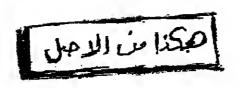
and a consortium spacially formed by Shearson Lehman Hutton and Salomon Brothers. KKR, which ended up buy-ing RJR, is known to be study-ing the BAT situation, hnt could be deterred from bidding



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# **INTERNATIONAL CAPITAL MARKETS**

#### T bid BAT BID: FINANCIAL STRUCTURE BAT BID: EVENT RISK Questions raised New danger crosses the Atlantic over conditions "CREDIT is suspicion asleep," the late Mr Henry Wallich president at S&P, said last week "volnerability to event to credit and other risks. But strength, and as Ms Hessol events like last week's scare once joked. The former Fed-

stons. And on the whole, prac-titioners have got away with a relatively superficial approach

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US DOLLARS

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Toyota Motor Credit

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Bge Nationale de Paris

Osaka Profecture

CANADIAN DOLLARS

Metall Mining Corp.(s)54

AUSTRALIAN DOLLARS

ANZ Banking Group GMAC Australia(Finasce) Rediand Overseas Fing

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NOBODY on Wall Street or in the City of London believes that the £13bn bid for BAT Industries will be the last word on the subject as the vultures hover for another corporate dismemberment. Neither do they believe that the current bidding group, led by Sir James Goldsmith, Mr Jacob Rothschild and Mr Kerry Packer, will be able to get away without introducing cash

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but, according to bankers and corporate finance special-ists, the structure and nature of the bid raises some impor-tant questions.

 With the prices of most corporate assets in the US at sky-high levels, US banks and securities houses are looking overseas for husiness. What will be the final consequences of the training of American financial firepower on the European corporate scene? Will the UK get a junk bond

market? Although the subordi-nated loans being offered to BAT shareholders are denomi-nated in dollars and hence could be placed with US and Japanese investors, there are expectations that some sterling expectations that some sterling junk could eventually be issued as part of the bid. If so, expect Drexel to set up a junk bond trading unit in London. If it does, will it find an appetite for the paper? The only institu-tions to show interest in star-ling mezzanine debt, the less tradeable UK equivalent, have been commercial banks. • Will Bankers Trust and Drexel Burnham Lambert

Drexel Burnham Lambert really be able to provide liquid-ity for the senior and subordinated notes, respectively? Drexel has always laid stress on the liquidity it provides to investors in high-yield bonds. Its continued dominance of the US junk bond market suggests many investors continue to believe its claims. Bankers Trust has no such

track record in securitised lending, although it shown its ability to sub-participate loans to smaller banks.

Indeed, bankers speculate that no matter what the final form of the offer - cash, secu-ritles or both - the size of the offering means that the senior underwriters will require a sort of controlled distribution of secondary market sales simi-

lar to the technique used in the financing of RJR Nabisco's leveraged buy-out. In that case, sales of portions of the mam-moth \$13.6bn in bank financing were made to smaller lenders in a centrally controlled fashion by the main underwriting banks. This prevented banks from undercatting each other in the secondary market and insured that major lenders had equal access to the Japanese capital markets where a large part of the debt was absorbed. The fact that Bankers Trust the Atlantic

The fact that Bankers Trust has been asked to distribute senior notes underlines the similarity between the tach-niques used to syndicate bank loans and to sell new securi-ties. The key in both markets is distribution capability. Is distribution capacity. Bankers Trust's own lending limits probably do not even allow it to take on to its own books at any one time much more than one-twentieth of the £6.5hn on offer. If there is appetite for such sterling-denomi nated assets, the Japanese banks will probably be large takers, but are likely to require currency swaps to hedge their positions. The same could well be true of American investors such as insurance companies who are willing to take on the credit risk but turn shy at the thought of currency risk. But what liquidity means in the context of this bid is the subject of debate, particularly since US commercial banks are simply not market makers in corporate debt securities in their home markets. If the bid were to proceed as

described with Bankers Trust the only market maker in the mior debt, could investors feel confident of selling their securities at a price near par at any time? After all, the prom-ise to make markets does not contain any guarantees about repurch se price.

Drexel has a reputation as a market maker which also supports the price of its securities, which is unchartered territory for Bankers Trust. Reports last week that Bankers Trust had been sounding out other lenders about how many of the new securities they would buy came as no surprise.

Stephen Fidler and Norma Coben

underwriters and investors eral Reserve governor's words serve as a salutary reminder of alike - for a while - into re-examining just how secure their seathelts are. the essential precariousness of

credit judgments. Those deci-sions get harder, not easier. The fate of the BAT Indus-Event risk is by definition. elusive. Even the rating agen-cies, as they admit, are no tries \$400m Rarobond, pulled last week in response to the hostile bid from Hoylake, introduces to these shores a kind of risk previously thought to be confined to seers. A report in May by Moody's on event risk con-cluded "downgrades resulting from special events outside the US will be minimal, and ... special event risk of interna-American companies, Together with most things good and evil, "event risk" has crossed tional companies is unlikely to present a major problem for bondholders over the next few years." The policy response of Kuropean governments may prove the agency right, but the assertion looks more vulnera-The flexibility and efficiency of the Euromarkets rests, among other things, on an ability to make quick - even instantaneous - credit decible than a week ago. Standard & Poor's and

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NEW ISSUE

risk is beyond our scope to determine; there is no logical way to do it." But Moody's regards it as

abdication of its duty not to try and evaluate this, along with all other types of risk. It says it has been increasingly taking event risk into consid-eration when assigning overall ratings for the few years.

But when such judgments go wrong, investors cry out for something more, namely cove-nants in bond indentures, allowing them to put bonds book the the house of the source back to the borrower in the case of an "event."

Unfortunately, watertight clauses are few and far between. S&P is shortly to introduce a service to the US Moody's take a different market that rates covenants on a scale of one to five according to their perceived approach to evaluating event risk. Ms Gail Hessol, a vice

points out, "only a very few of the existing deals would qualify for the top two categories." In the wake of the RJR Nabisco LBO there were stri-dent calls for better investor

protection, but some of the results were unhupressive. A Eurosterling Euroboud for Federal Express came with an event risk clause which failed to cover the "event" that materialised within days of launch. Equally, if the covenants are too tight, they could contra-vene shareholders' interests. However, as Mr Gerald Cor-bett, financial director of Redland, says: "If it were a choice hetween achieving tighter

funding with covenants, or paying more without restric-tive clauses, I would err on the side of tighter funding." Katharine Campbell way are expected to be under way shortly.

INTERNATIONAL LOANS **Spotlight stays** on acquisitions The Bank of Grecce award-ing the refinancing of a \$400m

ACQUISITION financing remains the focus of attention the Euroloans market. term loan to the group which arranged the original credit. As expected, the new 5°, year loan, which replaces an eightalthough all other deals are dwarfed by the size of Hoy-lake's bid for BAT Industries. Still, market speculation has turned to Hanson's proposed year loan, has had its margins cut to '4 over London inter-bank offered rates. The origi-£3.5bn acquisition of Consolidated Goldfields. On Friday, Mr Martin Taylor, Hanson's vice chairman, said the comnal loan carried a margin of " points. Citicorp is bookrunner. The Republic of Turkey is pany had entered into negotia-tions with a US money centre bank about financing. Market speculation has focused on Chemical Bank. Meanwhile, actual syndica-tions of financings for the leveraged buyout of Magnet and the Isosceles bid for Gate-

tapping the market via the undersecretariat of Treasury and Foreign Trade. Citicorp is arranging a \$200m three-year term loan with a prepayment option after the first year. If the loan is not prepaid, it begins amortising at 18 months

Norma Cohen

Offer yield

11 723

11.439

8 277

8 397 8 153

B.542 8.712

7.048

6.633

11.410

11.474

10,791

4 865

7.325

5.111

9 252

25

	NEW INTE	RNATIO	NAL BOND ISSU	JES					
Price	Book runner	Offer yield	Borrowers	Amount	Maturity	Av. lite years	Coupon	Price	Book runner
100 100 100	Nomura Int. Nomura Int.	4,125 4,125 4,000	Mishima Peper(a)**§ Dalei Finance(g)**§ Uehara Sei Shoji(m)**§ STERLING	50 200 50	1984 1994 1993	Ξ	(Zero) ( <sup>1</sup> 2) <sup>1</sup> 2	100 100 100	Nikko/J.H.Schrodor Bk Citicorp Inv, Bank Credit Suisse
101.20 1011 101.85 100	Paribes Capital Mids J.P. Morgan Secs. NatWest Capital Mids Daiwa Europe	8.443 8.448 8.390	Legal & General Group♦ Laing Properties♦ ECUs	75 75	1992 2010	3 21	12 <sup>1</sup> 2 11 1 <u>2</u>	101 7 <sub>8</sub> 100.088	J.P. Morgan Secs UBS-Philips & Drew
100 10134 100.825 100 100	Nikko Secs. (Europe) J.P. Morgan Seca. Sanwe Int. Morgan Stanley Nomura Int.	* 8.081 7.758 5.250 *	DSL Bank∳ E0F∳ Deutsche Bank Finance∳ FRENCH FRANCS	75 200 200	1994 1999 1994	5 10 5	834 858 858	101 7 101 <sup>1</sup> 2 101 7	Mitsui Fin Int, Paribas Capital Mikts Deutsche Bit Cap.Mikts
100 100 101.90 101.70	Nomura Int. Merrill Lynch Dalwa Europe Bk of Tokyo Cap.Mida	* 8.461 8.073	WestLB Finance Elf Aquitaine GULDERS	500 600	1993 1999	4 10	9 9	1011 <sub>2</sub> 1017	CCF CCF
101 %	BNP Capital Markets Bankars Trust Int.	B.153 8.816	Aegon NV∳ EIB∳ Nationale Nederlanden∳	200 150 250	1998 1999 1994	9 10 5	71a 71a 7	100 <sup>1</sup> 2 101 <sup>5</sup> 3 101 <sup>1</sup> 2	ABN ABN ABN
100	Sums Fry	7.641		200ba	1995	6	1112	100 <sup>3</sup> 8	Banca Nazdel Lavoro
101 % 102 10158	Hambros Bank Hambros Bank J.P. Morgan Secs.	15.423 15.122 15.426	PEBETAS EIB¢ SWEDISH KRONA	10bn	1994	5	11.85	101 <sup>3</sup> 8	Banco Espanol de Cr.
102	Hambros Bank	13,179	Electrolux  YEN	500	1992	3	114	1013	Enskilda Securities
100 100 100 <sup>3</sup> s	BHT-Banic Commerzbank Trinkaus & Burkhandt	8,500 7,750	Marubeni Hong Kong Toronto-Dominion Bk(e) Jewel IV Cayman(j) Jewel IV Cayman() Caripio(k) St. Bk. Sth Australia()) ♦	10bn 6.5bn 10.5bn 15bn 5bn 5bn 5.6bn	1994 1999 1993 1993 1990/92 1991	5 10 4 4 1/3 2 <sup>1</sup> 4	B 7.6 (j) 5 <sup>1</sup> 2 8 10	1135 101,90 100.2 1013 1013 1013	Nomura Int. LTCB Int. Daiwa Europe Daiwa Europe Toyo Trust Int. Nomura Int.
100	Nikko/Bank J. Baer SBC	0.500 0.500	Bergen Bank(r) which yet priced, while riverse plan indicated yield to put 4.21%. b) *	2.75bn coment, 4With field to put 4.1	1990 equility warran DB <sup>-</sup>	1 utts, \$Conve t to put 3.96	7.3 rtible. (Float)	101 1g ng rate no put 4 061	Sumitomo Trust Int. Mrs. éVariable rate notes. %. e) Coupon payable in AS.

Nomura Int. 6.108 ot priced, ##Private placement, 49/bit equity warrants, \$Conventible. (Floating rate notes, 4/4/bite t d yield to put 4.21%, b) Yield to put 4.109%, c) Yield to put 3.96%, c) Yield to put 4.051%, c) Coupon pa tobe rate planes of Carrierous Meetings between Aug.1990. Aug.1994, c) Yield to put 4.22%, h) Yield to put 4. 512% first three months, yes 8-month Libor plan 0.1% thereaster, b) Laurchael in 3 months which yet priced, which indicanad yield to put 4. when aldehable rate and ATTANA 0.500 etalicos between Aug. 1990-A 5-month Libor plus 0.1% the 3 judge, 1) Rectamption links Coupo of, one of Yibo, two o just 4.047%, n) Yick yours. Redemption linked to put 4 102%, p) % over prob Libor, Alternative 14 % over Libo change rate, al Pert of C\$125m leave at Note: Visite are not C\$125m leave 0.500 14.76

100 100 100 100 100 100 0.250 Nomura Bank (Switz)

This announcement appears as a matter of record only.

July, 1989

# THORN EMI Capital N.V. (http://www.internet.org/antiles/with http://with.intered Walditry) Notice of a Meeting of the Holders

# of 5% per cent. Guaranteed Redeemable Convertible Preference Shares 2004 in THORN EMI Capital N.V. (the "BCP Shareholders" and the "RCP Shares" respectively)

urgent by way of Deed Poll In accordance with the terms nd condit dated 2 February 1989, notice is hereby given that a Meeting of RCP Shareholders will be held at the offices of Rowe S. Maw 20 Black Frank Lune London EC4V 6HD on Incedent I August 1989 at 11.00 a.m. for the purpose of considering and, if thought fit, passing the following Resolution

#### Resolution

THAT this Meeting of the Holder's of the 5% per cent. Concrete Redeemable nvertible Parference Shares 2004 ("RCP Shares") in THORN EMI Capital N.V. he Company") now outstanding constituted by the Articles of Incorporation and by Tahe Company ] now ou n by way of Deed Poll daved 2 February 1989 (the "Deed Poll") executed w THORN EMI pic hereby-

(1) generally and uncondition nelly authorises and gives concert to THORN EMI plc.at. any time and from time to time to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) on The International Stock Exch of the United Kingdom and the Republic of breand Umited of Ordinary Shares of 25 pence each to the capital of THORN EMI plc ("Ordinary Shares") for caoceldon subject to and in accordance with any authority from time to tank gra-obtaines of the shareholders of THORN EMI plc PROVIDED THATe granned by

(a) the maximum price per Ordinary Shate on any exercise of the authority is not more than 5 per cent. above the average of the muldle marker quotations taken from The Stock Exchange Daily Official List for the ten business days prior to making any purchase; and

the minimum price for any purchase is 25 pence being the nominal value of an Ordinary Share; and (b) the mi

(c) the price in each case will be exchange of any corporation any papable by THORN EMI pic and expenses; and

(d) the authority hereby granted shall expire five years from the date of the passing of this Resolution except in relation to the purchase of any Ordinary Shares by THORN EMI pic the contract for which was concluded before the date of expiry of the authority and which would or might be completed wholly or

expray of the automy and when would be inght be completed would be parily after such date; rections and approve each and every modification, abrogation or variation of the sylatons of the Deed Poll and of the rights anached to the RCP Shares and each province to the Decision and the second state of the respect of the rights of the RCP Share-nolders which, for the avoidance of doubt, may be involved in the implementation

of any such purchases and cancellations; and

(3) authorises the Company and/or THORN EMI ple to concur in, execute or do any aent, see or ming necessary m give effect to such suchon on and approval of each and every such modification, abs

mise or an angement.		
Dated 17 July 1989	 BY ORDER OF	
Registered Office	· · ·	A. Brouwer
Pietermani 15,	•	
Curacio		.81

Copies of a lenser dated 28 June 1989 from the Chairman and Chief Extensive o THORN EMI pic, giving dotails of the authority to purchase its own Ordinary Shares now being sought by THORN EMI pic from its shareholders are available for collection, and copies of the Articles of Incorporation and the Deed Poll constituting the RCP Shares are available for inspection by RCP Shareholders in each case during normal business hours on any weekday (excluding Samudays and public holidays) at the Registered Office of the Company, the offices of Rowe & Many 20 Black Friess ane, London EC4V 6HD and the specified offices of S. O. Warburg & Co Ltd ("the Bank") and Krediethank SA Luxembourgeoise and Swiss Bank Corporation ("the Paying Agents") seriout below, up to and including the date of the Mesting and at the Meeting inelf. As indicated in that leaves, THORN EMI ple isseeking authority from its Ordinary Shareholders and of the holders of 7 per cent. Convertible Redeemable Second Cumulantes Preference Shares 1992 In the capital of THORN EMI ple inter alia to make marker plurchings of up to 7.5 per cent of its inneed Ordinary Share capital, representing 20,902,783 Ordinary Shares, subject to the prior limitations set out in the above R.

The authority of the shareholders of THORN EMI ple will, if granned, exp 30 September 1990. However, it is the present intention of the Bound of TEIORN EMI ple that the necessary resolution to renew the authority will be proposed at the 1990 ring of THORN EMI ple and relevant Class Motting. The Dead Annual General Me Autual Venters weeting of a local state per matters in over a local processor of the backets of the RCP Roll does not require THORN EM ple to obtain the consent of the backets of the RCP Shares before it exercises any susharity to purchase its own Ordinary Shares. However, on the basis that the RCP Shares are convertible securities THORN EM ple is, under

the provisions of The Admission of Securities to Listing issued by authority of the Council of The Stock Exchange, required to obtain such consent of the RCP Share-holders. So as to relieve the Company of the administrative burden of convening a ing of RCP Shareholders each year, the consent commined in the above Resolution require anount general bit will be valid for a period of five years from the dam of the passing of the Resolution subject to there not being any material issue of tinary Shares of THORN EMI plc in the intervening period.

It is satisfated that the passing of the proposed resolution or the implementation of the power will not affect the terms of the Deed Pall or any of the existing rights attacting to the RCP States. The Directors of THORN EMI pic believe that any pus-chanes of Ordinary Shares which may be made under the authority could be beneficial to the RCP Shareholders by reason of the improvement to their conversion prospects. re, the terms of issue of the RCP Shares require that in curtain circ exercise by THORN EMI plc of its authority to purchase its own shares will give rise to an adjustment of the conversion price of the RCP Shares to the benefit of the RCP Shareholders. On 2 June 1969 the latest practicable date before the pet sing of the Charman's letter referred to show the middle market quotation for an Ordinary Share derived from The Stock Exchange Daily Official List was 609 pence. If the proposed power were to be extension full at the price of an Ordinary Share on 2 june 1989, Shareholders Funds of THORN EMI pic would be zeduced by £144,020,175.

#### Quorum and Voting

The quorum for the Meeting is two or more persons holding RCP She certificitors or being provies and being or representing in the aggregate the holders of not less than one-helf of the RCP Shares for the time being outpunding, if a quorum is

not present the Meeting shall stand adjourned for such period not being less than 21 days not more than 42 days, as may be uppointed by the Chairman of the Meeting. The Resolution, if duly passed, will be binding on all RCP Shareholders whether or not they are present or represented at the Meeting. To be passed, the Resolution requires a majority consisting of not less than three-fourths of the votes cast in respect of it, whether on a show of hands or on a poll.

A RCP Shareholder wishing to attend and vote at the Meeting in per

A new state to the end of a solid voting certificate issued by the Bank or the Paying ents relative to the RCP Shares in respector which he wishes to vote. A RCP Shareholder nor wishing to attend and vote in the Meeting in period may ser deliver a voting certificate to the person whom he wishes to attend on his behalf or give a black voting instruction (on a block voting instruction form obtainable from the Bank or the Paving Agents) appointing a proxy or instructing the Bank or the Paving Agents to appoint a proxy to avend and vote at the Meeting to accordance with

Each block woring instruction should be deposited at the Bank (the address of which is set our below) not less than 24 hours before the time appointed for holding the Meeting at which the provides named in the block woting instruction propose : vote and in default the block woing instruction shall not be treated as valid unless the Chairman of the Marsing decides other wise before such Moeting proceeds in business. Preference Share Certificance may be deposited with (or to the order of) the Bank or the Paying Agents for the purpose of obtaining voting certificates or block voting The strang appendix to the purpose will 48 hours before the time fixed for the Meeting but not there appendix preference. Share Certificance so deposited or held will be celested our with the first to occur of-

(i) the conclusion of the Meeting or any adjournment thereof .

or if a voting certificate has been issued

(ii) the surrender of the voting certificate(s)

or if a block voting instruction has been issued (iii) upon the surrender, not less than 48 hours before the time for which the Meeting is

convened, of the receipt for each such Preference Share Certificate which is to be ed to the Bank or the Paying Agent, coupled with notice thereof being given

by the Bank or the Paying Agent to THORN EM plc. Every question submitted to the Meeting shall be decided in the first instance by a show of hands and in the case of equality of votes the Chairman of the Meeting shall. both on a show of hands and on a poll, have a casting vote to addition to the vote or votes (if any) to which he may be entitled as a RCP Shareholder or as a holder of a g certificate or at a proxy.

The Bank

S. G. Warburg & Co. Led., Paying Agency, 2 Finsbury Asense, London BC2M JPA. The Paying Agenta

tee, 43 Boulevard Royal, L-2955 Luxembourg Kredictback SA Luxer Swiss Bank Corporation, Academyorstadt I, CH-4002 Basle.

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# INTERNATIONAL CAPITAL MARKETS

## **UK GILTS US MONEY AND CREDIT** Advance reflects foreign interest Hopes high for an easing of policy

Though muted compared

with the spectacular ideas finng around in the wake of

the 1937 crash and RJR Nabico leveraged buy-out, the proposals, if passed by the full Congress, will send a message to engineers of junk bond

financed takeovers and buy.

Basically, they treat as pre-ferred stock certain types of junk bonds. This means their

interest payments will be treated as dividends and thus

no longer deductible against

the likes of zero coupon, pay-ment-in-kind and deferred

interest bonds where the issuer

minimises cash interest pay-ments to lighten his debt load.

Bnt these securities account

4 wis

their issuers income tax.

outs.

HOPES remain high for further imminent easing of US mone-tary policy despite some awkward inflation figures which mede bond markets a little skittisb on Friday.

Bond prices senk threequarters of a point when the producer price index turned out to have risen 0.7 per cent in June if the volatile food and energy prices ware excluded. Many economists, ettributing the increase to jumps in tobacco and ship prices, tried to assure the markets the underlying treed was positive. Other figures on Friday for lower industrial production,

reduced capacity utilisation and declining retail sales all reinforced the view of a cooling economy. The data are showing there is "a better balanced and still-improving picture on the inflation front for the rest of the summer," said Ms Maria Fiorini Ramirez, Drexel Burnham Lambert's money market economist.

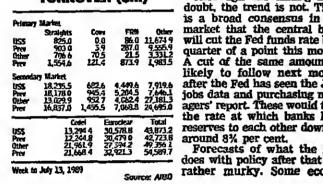
Mr Bob Brusca, chief economist of Nikko Securities in New York, said: "The inflation picture is good. Industrial out-put is weak. The consumer is sleeping."

The markets might have held their ground better if the data had been benign enough to allow the Federal Reserve to to allow the rederal Reserve to shave another quarter of a point off the Fed funds rate. Bulls were banking on such an immediate easing on Friday which they hoped would in turn revive the stalled bond market rally market rally.

When the Fed instead kept Fed funds steady by draining reserves, the selling began. It was short-lived and by the end of the session bonds had regained about half the ground they lost earlier in the day.

Overall it was a desultory week with credit markets drift-

#### EUROMARKET TURNOVER (\$m)



ing a little lower while they waited for the slew of eco-nomic data on Friday. They were also depressed by the sell-ing of some \$1.5bn of mort-gage-backed bonds by some

savings and loan institutions. As a class, the thrifts have been heavy sellers recently at their own volition or prod-ded by regulators - taking the opportunity of bond market strength to reduce their inter-est rate exposure. It impacts

The market could also run into some difficulty with the Treasury's quarterly refunding next month. The federal gov-ernment is certain to hit its the Government market because dealers buying the debt ceiling before the auc-tions. There is e good chance, though, Congress will approve mortgage securities frequently sell Treasuries as a hedge. But the air is still thick with another temporary increas hopes the rally will resume when the Fed eases. Traders and investors will not only continue minutely to analyse every market move of the Fed. They will also pick over the words of Mr Alan Greenspan,

Fed chairman, when he gives Congress on Thursday his much real appetite investors have for long bonds yielding less than 8 per cent.

His audience should be screws in another corner of the debt market last week. As part much happier with him this week than six months ago of a package of measures to when many Congressmen were raise \$5.3bn in new revenues, the House Ways and Means more worried about high interest rates killing economic growth than they were about curbing inflation. Those critics

## The rule would apply to junk bonds meeting three tests: e yield to maturity more than Even if it does, the typical pattern of quarterly refundings usually makes August the one that inflicts "most pain on pur-chasers," Griggs and Santow said. This one will be no excep-tion as the market tests how five percentage points greater than that of comparable Trea-suries; a term of at least three years; and an issue price at a steep discount to face value or interest peyments in a nontion as the market tests how cash form. The proposals are aimed at

mists warn that further easing is unlikely because the econ-omy will pick up again later in the year. "The odds are quite good that some time in the fourth quarter the monthly

numbers will start to turn

round again," said Griggs and Santow, a firm of money mar-

ket economists.

semi-annual Humphrey-Hawkins testimony on the state of the economy and Fed policy. Congress was turning the

**Roderick Oram** 

12-month High

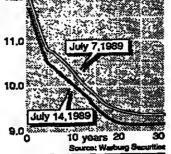
THE RISE in the gilt-edged market in the last week was initially cash-led hut, by the end of the week, largely futures-driven. The rise in the market has by all accounts been more a reflection of for-eign than domestic interest. For the domestic investor.

the steepness of the yield curve inversion makes for a powerful inversion makes for a powerful disincentive to go long. The cost-of-carry sums just do not add up, especially if you are not convinced that the economy is performing as well as the authorities would like.

The foreigner does not, however, suffer this constraint. Indeed, high nominal UK interest rates, combined with the recent easing in US monetary policy, have led to a significant widening of the differential between UK one in three year gilts and their equivalents in the US. From last July until mid-May, the differential in favour of short gilts relative to US Treasury notes varied from 100 to 240 basis points; the differential is now close in 375 basis points

There has been no equiva-lent rise relative in West German or Japanese government securities but the tightening that has occurred in the UK in the past 12 months has kept the relativities hroadly unchanged. There is a 490 basis-point yield advantage for a German investor at the short end of the gilts market -around the average for the

**UK** gilts yields Restated at par (%) 12.0 1



tage for Japanese investors. There is, therefore, still a healthy margin of error for the Japanese or German investor who mey have lingering doubts about the health of sterling.

sons why the Treasury thinks inflation peaked in June). The labour market data were also encouraging. The rate of growth in the workforce appears to be moderating, over-time worked was down and "short-time" (working fewer hours than normal) was up. Did last week's batch of eco-nomic indicators do much to hours than normal) was up. Although this amounts to the change the outlook for domestic investors? Not much. In sum they amounted to a bit positive side of the slowdown, the negative component is a concomitant rise in unit labour sum they amounted to a bit more evidence that perhaps something is happening which, if continued, would amount to encouraging signs of success. The picture is still unfocused, and the outlook therefore out any rise in pay settlements but the deterioration may be even worse if, as many suspect, pay deals rise substantially in the antumn/winter. unclear.

The short sterling and equity markets got somewhat ahead of themselves towards the end: the behaviour of the consumer. of the week and began to look for e cnt in official interest Although most would agree the UK economy is slowing. rates. Friday's slightly better-than-expected inflation number

changed significantly. Con-sumer lending figures released last week indicated that the personal sector's eppetite for credit was not only undimin-isbed but higher than in previwas no more than that. The market had been told to expect inflation to peak during the summer by the Treasury and many of its own analysts. The story based on this scenario has not changed materially. Few in the market see inflation ous quarters. This evidence is supported by the return to ris-ing levels of retail sales over much below 7 per cent, if that, hy the end of the year, past months. although the Bank of England and the Treasury are slightly more optimistic. That said, the wholesale price data released early last week were encouraging. The fall in oil prices and commodi-

costs. That would occur with-

Of equal concern to the

authorities and the market is

The authorities' decision in stay with 14 per cent rates and to risk the fall-out from another rise in mortgage inter-est rates is an indication that they remain concerned about the consumer. While ambiguity tail in oil prices and commodi-ties in general seems to have fed through inin much lower rises in industry's costs (the fall in oil and, hence, petrol prices, is one of the main rea-sons why the Treasury thinks inflation packed in line? remains, another rise in official interest rates cannot be ruled out

• The Sir James Goldsmithled £13bn leveraged buy-out of BAT Industries, if successful has inge implications for UK fmancial markets, not the least being "event risk" for holders of unsecured debt. This was underlined on Thursday when BAT was forced to call a £400m Eurosterling issue and earlier when the unsecured debt of most companies was marked down in the wake of the bid.

It is too early to draw any firm conclusions for sterling bond markets hut a number of possibilities seem to present themselves. Unsecured debt will probably have to include an event-risk premium in the future to entice institutions and that may be enough to diminish the attraction of issuing such debt for some compa-

Simon Holberton

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there is conclusive evidence that the balance of demand has FT/AIBD INTERNATIONAL BOND SERVICE 191119112012011101089859015008992995980899999 ጟቘቘኇዿቘኇዿቒቒዿዿጟዀቘዸቘጟዄ፝ኇኇዄዸዾጜጜቔዿቔዹዀዸጜዿዿቔቑቔቔዿ ዾዾዾዄዾኇዸኇዿኇዸኇዸኇዸኇዾዄዿኇዸዾዸዸዾ 9991109992815297970002440019888882982097700022840940295HS DOLLAR QUEERS LAND GOVT 111, 49. RALSTON PURINA 114, 45. REYNOLDS R. J. 104, 47. SAAK LEY 49, 45. SAKA CHEWAN 14, 47. SASKATCHEWAN 14, 47. SEANS OF TH 44. SEANS OF TH 114, 47. SHELL 01, 47. SHEL NI, 47. S **こっそずっすずずずっずずずすずずずずずずずずずすってっすずずすっずずさざっっ** ANFC US FM. 11 94... ALBERTA, PROVINCE 73 ALBERTA, PROVINCE 73 ALBERTA, PROVINCE 94 ALTOA AUSTRALIA 11 92 197 attesticter atteste 20.058 30.058 26.058 20 HAPPERS HE SAAS RESS. SOULS & HAPPERS AUSTRIA 44 94 AVOIN CAPITAL 64 91 HADRIAYS O/S NIV 6 90 O.F.C.E. 54 90 CARADIAN PACIFIC 64 96 DERMARK 64 92 EIO 44 92 DENNIAL OF THE DENNIA RSEY 10% 9 SNCF 7 1, 94 STATE BR STH AUST 94, 93..... STATE EL VICTORIA 10 92... STH AUST COVT FIN B3, 93 SUMITOHIO FIN ASIA 11 4 92... SUMITOHO FIA AS SWEDEN 7 92..... SWEDEN 84 94.... SWEDEN 203, 92... SWEDISH EXPORT SWEDISH EXPORT 71 93 SWEDEN 10 % 92 SWEDEN EXPORT 10 % 92 SWEDEN EXPORT 10 % 92 TAITO KOBE 11 % 92 TAITO KOBE 11 % 92 TENNECD CARP 10 & 52 TOKA 453 11 % 93 TOKA 453 11 % 93 TOKA 450 PH & 40 TOYOTA ANOTOR FIN 0 91 UNILLY FACE DAY 92 WARTER - LAM BETT 82 % WARTER - LAM BETT 82 % WORLD SARK 11 % 90 73 91 SW TORD 11 4 43. ELECONS FIN 94 48. L SOUP 104 95. htred 600 1.06m 600 97 964 981 961 150U 1590 CALVALA tttttttottt Mas 0 10. 100 150 150 150 150 150 150 CEPM E 74 92 DEVERS CORP FX 94 CRUCATE-PALIFULITE FX 95 CONTR BX AUSTRALIA 20 93 CONTRESEARCH AUSTRALIA 20 93 CREDIT FONCIER 7 & 94 CREDIT FONCIER 7 & 94 A.B.N. 5% 91 A.B.N. 5% 92 AM00 BAIK tototo "toto DENMARK 812 91 NED MIODENSTANO 6 92.... DISTER KONTROLLBARK 7 90. 125 94 995 1004 1004 ALASKA HOUSING 2/10 01\_ ALBERTA, PROVINCE & 93,... ALLIANCE & LEICS 0.08 94 1

for well under 20 per cent of the junk bond market so the Committee proposed some changes in the way certain junk bonds are treated. impact should not be severe. will have been silenced hy the Fed's easing of monetary pol-icy recently and by the robust US MONEY MARKET RATES (%) rally since mid-May which has Lest Friday i week driven down interest rates to their lowest levels in about two Fed Funds Secretly an 9.19 5.08 8.01 8.70 8.70 9.00 **Resisting easing last Friday** eth Treasury I worth prime C was a reassuring gesture by

	vears.	Fed Funds Genetity average	- 9.19 -	9.00	9.13	10.00	127 1 21
		Three-month Treasury bilis	\$.08	7.%	8.46 8.28 9.10	913	5.72
	Resisting easing last Friday	Shamonth Treasury Sills		7.98	6 10	1015	677
	was a reassuring gesture by	30-day Compercial Paper	8.90	9.05	9.25	9.70	
	the Fed for critics on the other	90-day Commercial Paper	8.50	9.05	9.25	10.05	655
	side of the argument who			_		_	_
	worry that the central bank is being too accommodating.	US BOND P	RICES A	ND Y	FELDS	(%)	_
	Still, if June's consumer price		34	Change	Yield	2 mint	4 #1.
	index turns in on Wednesday						
	only a modest increase as fore-	Seven-year Treatery	59%	6/2	7.91	7.99	8.15
	cast of some 0.2 or 0.3 per cent.	20-rest Transvy	1109		817	811	816
		30-rear Treasury	105	:2	8.17	8.04	814
,	then the Fed might ease policy			-			and an and a set
	before Mr Greenspan testifies.					mont Bros (	
			the balloo he		10 1 0 h h	30 5077.4	on.
	Although the timing is in	Money supply: In the wee					
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•	doubt, the trend is not. There	Money suppry. In the wee					
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	doubt, the trend is not. There is a broad consensus in the market that the central bank will cut the Fed funds rate by a quarter of a point this month. A cut of the same amount is likely to follow next month			ND H	DEX	NDEX	_
-	doubt, the trend is not. There is a broad consensus in the market that the central bank will cut the Fed funds rate by a quarter of a point this month. A cut of the same amount is likely to follow next month after the Fed has seen the July	NIRI 70 December 1983 = 198	К <u>ЧО</u> ВО	ND II	FORMANCE I Land Tuest	NOEX 12 wis	26 wist 290
	doubt, the trend is not. There is a broad consensus in the market that the central bank will cut the Fed funds rate by a quarter of a point this month. A cut of the same amount is likely to follow next month after the Fed has seen the July jobs data and purchasing man-	NRI TO	13(7)89 . 148,67	MD H PER Amage yield (%) 520	FORMANCE I Last. Neti 148113	12 wis 12 wis 199	25 mis 340 148144
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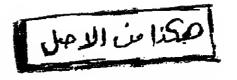
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# **INTERNATIONAL CAPITAL MARKETS AND COMPANIES**

# Southmark applies for **Chapter 11 protection**

By Roderick Oram in New York

more than \$2bn, has filed for protection under Chapter 11 of the US bankruptcy code.

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The Dallas company is a victim of the vicious 1980s boom-bust cycle in Texas real estate and, according to outside direc-tors and dissident shareholders, bad management. It is the largest company to seek pro-tection since Texaco did two years ago.

Southmark won permission, however, from Federal regula-tors to allow its San Jacinto Savings and Loans subsidiary to keep running as long as it

SOUTHMARK, a leading Terras financial services and real estate group with dehts of which has some \$3.5bn in assets, said its capital of \$184m exceeded requirements. After the old manageme

was ousted, a new team led by Mr Arthur Weiss, chairman, had tried to refinance the company but without seeking the protection of the courts. But their efforts appeared doomed since May when Southmark announced a loss of \$1.04bm for the third quarter ended March 31, leaving it with

**Olympia & York raises offer** 

negative net worth. As much as \$800m of the loss came from the write down of assets ordered by Price Water-

house, the company's new auditor. Mr Weiss acknowl-edged in May that the Texas real estate market was rec ing far more slowly than Southmark expected.

The company was too weak financially to carry its non-per-forming assets until full eco-

nomic recovery came. He said on Friday that fore-casts showed the company could not meet its interest and principal obligation after November 1. The company had raised

some money from asset sales and had \$50m cash on hand but bondholders had resisted the new proposed terms.

# Comex chief quits in surprise to traders By Deborah Hargreaves In Chicago

MR JOHN Hanemann, chairman of New York's Commodity Exchange (Comex), resigned late last week in a move that came as a surprise to traders. It followed the res-

McFadden, president of the New York Mcrcantile Exchange and the appoint-ment of a new president at Come While the resignations will mean a different team in charge of New York's two big-

He was disappointed when Comex members voted against

gest futures exchanges, they were unrelated. The Comex board swiftly announced the appointment of Mr Bob Fink, Mr Hanemann's second-incommand in the member man-

# I t may just have been jetlag, but Mr Robert Allen, the AT&T president, never quite managed to look as relaxed and happy in Milan on Saturday about his new \$850m investment than did its recipient, Mr Carlo De Benedetti, the Italian deal maker extraordi-

naire. While such a large financial investment in Europe by an American industrial company may be without precedent, Mr Allen was adamant in an inter-view with the Financial Times that he would have no diffi-culty in persuading his share-holders of its wisdom.

By selling its 22.35 per cent stake in Olivetti and using the stake in Olivetti and using the proceeds to buy an 18 per cent holding in CIR, Mr De Bene-detti's main quoted industrial bolding company, AT&T was getting into a diversified busi-ness "which has some activi-ties not unrelated to our own and which gives us representa-tion not only in Italy but also in other parts of Europe." The advantage would be manifest, said Mr Allen, given the immi-nence of the European Commu-nity's internal market. Above all, he added: "I have great confidence in Mr De Benedetti's ability to manage agement of the exchange, to the chairmanship. In a letter to Comex members, Mr Hanemann said he was leaving because of health and financial considerations.

Benedetti's ability to manage these resources." His respect for his Italian colleague's abi-ity to make a good deal may not be unconnected with the fact that their previous agree-ment did not leave AT&T free "to take the money and run." Mr Allen would not go into detail on this point.

Seated across the interview table from Mr Allen in an ante-room of Milan's Palazzo Visconti, Mr De Benedetti smiled happily. After months of patient negotiations, he had pulled off what in poker would be regarded as a full house.



Ma Bell dials De Benedetti's line

Carlo De Be detti (left) and Robert Allen: new deal has relegated their old alliance to the history books

With considerable ingenuity, he has nearly doubled CIR's stake in Olivetti withont spending a lira in cash, sub-stantially increased CIR's Like Mr De Benedetti, he rejects any suggestion that the AT&T-Olivetti alliance was a failure, but the only gain he chose to cite for the US company on Saturday was the intangihle benefit of manage-rial experience of an interna-tional tie-np. He might have shareholders equity to nearly L4,000bn (\$3hn) through the AT&T investment and acquired in the US telecommnnications glant a highly credi-ble and financially powerful added, of course, a consider-able profit on AT&T's original \$260m investment which it

And at the same time, Oli-vetti and AT&T have relegated now values at \$500m. Despite the fact that AT&T eventually went off and made a supply agreement for personal computers with Intel, Mr De to the history books an alli-ance which had become a serious question mark against the indgment of both manage-Benedetti can at least point to the proceeds from the sale of 600,000 Olivetti PCs in the US ments. Mr Allen hlames the original 1983 decision to pur-chase what was then a 25 per between 1984 and 1988. Moreover, Olivetti had benefited, he cent stake in Olivetti on said, from access to the famed research and development strength of AT&T's Bell Labo-AT&T's confusion abont its future strategy when it was being forced to divest its US ratories, particularly the Unix telephone companies. minicomputer standard. "This was the most dramatic change in the history of our

ss. AT&T was not sure some Olivetti PCs. what it was and did not ade-quately look into the future." Mr De Benedetti conceded

strengthening these busi-This collaboration will continue, as will the marketing of

Presumably Mr Allen has rather more detail with which to justify his confidence in Mr De Benedetti that too mnch had been

# Motorola poised to expand globally after profits rise

second quarter.

busin

new investor.

electronics group, reported a Semiconductor products solid rise in second-quarter sales rose 9 per cent, new earnings to \$154m or \$1.18 a share from \$120m or \$2 cents, and said it is poised to expand its presence globally, writes Our Financial Staff. orders 11 per cent and backlog 8 per cent in the second quarter from a year earlier. The company cited the competitive pricing environment in dis-For the first half of 1989, net crete and standard logic prod-

profits emerged at \$277m or \$2.13 a share, against \$284m or \$1.81. Sales rose to \$4.56bn ucts and an increased level of R&D spending. Mr Robert Galvin, chairman, from \$4.05bn, with a contribu-tion of \$2.39bn (\$2.10bn) in the said semiconductor customers were keeping inventories

under control. indicating confidence in Motorola's ability to deliver product quickly. "Demand for our cellular tele-

phone and two-way radio products remains encouraging Motorola said its 88000 Risc processor family gained fur-ther momentum with its adoption by Unisys to power a major new product line. Semiconductor orders increased in all market regions, led by Asia-Pacific's

# continued growth in consumer. communications and personal computer industries.

detti enjoys ticking off the company's strengths. "We are

number one in information

technology, our sales have dou-bled in five years to \$6bn and

we are the only profitable com-pany in onr business in Europe. Moreover, we have made the right choices in

adopting open system architec-ture and downsizing the prod-

uct. That is why we are the number one PC manufacturer

And what will he be doing to ensure that AT&T has placed

its money wisely in CIR? The holding's main investments are

in Olivetti - accounting for 30

in automotive components (through the French company, Valeo) in publishing (Monda-

dori L'Espresso) and in con-

struction machinery (Sasib).

Never one to go beyond the general statement when dis-

cussing strategy, Mr De Bene-detti says that he will keep on

per cent of total investments

in Europe."

Elsewhere, Motorola said operating profits gained slightly in the communications

sector and rose in the govern-ment electronics group. On general prospects, Mr Galvin said: "We expect more rapid growth in Asia and in Europe than in the US, and we have taken steps to manage our businesses accordingly."

# OLYMPIA & York Devel opments, the privately-held Canadian property company, has raised its takeover bid for BCE Development to C\$700m (US\$598.2m) from C\$557m, Benter reports from Toronto. BCB Development said a spe-cial committee of outside direc-

tors had been appointed and was studying the hid. O&Y's offer of C\$2.80 per BCE Development common

share and 39 cents per C\$5.50 warrant remains the same. However, O&Y is now offering 20 cents per C\$7.06 war-

rant, up from seven cents in the initial announcement on June 27.

O&Y is also offering C\$96 per C\$100 f 8 per cent convertible debentures, up from C\$92. In addition, it is now offering C\$25 per class A preferred

Court of Ontario claiming that a proposed deal between Con-naught BioSciences and Insti-tut Mérieux of France violates a 17-year-old agreement not to sell the Canadian vaccines and pharmaceuticals group to for-eign interests, writes David

shares along with the C\$5.50 warrants and 8 per cent con-

• The University of Toronto

has filed suit in the Suprem

share, series one, and C\$100 per C\$100 of 10% per cent conwhen the university sold Connaught to government-owned. Canada Development Corpora-tion (CDC) in 1972. CDC, in turn, sold its remaining intervertible debentures. The offer is still contingent on O&Y acquiring 90 per cent of the common stock and expires Angust 15. BCE, which owns 67 per cent of BCE Development common shares, has agreed to tender its abare along with the OS 50 est in the company 15 years later.

Though the suit could conceivably derail the proposed merger of Connaught's and Mérieux's human-health busi-nesses, the university's princi-pal aim in taking its case to court is to seek written guaran-tees that significant research and development activities remain in Canada.

The proposed deal, which would create the world's largest vaccine producer, has proved controversial in Canada because it would result in con-Owen in Torosto. trol of the resultant company The agreement was signed passing into French hands.

**Pru-Bache drops plan to buy Thomson** 

#### **By Roderick Oram**

PRUDENTIAL-Bache Securities has dropped its plans to take over Thomson McKinnon after it found halance sheet problems at the stock brokerage firm which suffered badly during the 1987

Although retail brokerage remains barely profitable even for the best players, Pru-Bache planned to buy Thomson, the ninth largest firm in the indus-

This announcement appears as a matter of record only

try, to bolster its position. It was still interested in buying some of Thomson's offices. had resulted. Mr George Thomson said it was considering various options including selling some assets to Pru-Bache. It has been seeking since last October a buyer for a 23 per cent stake in it held by

proceed with the transaction as Hartford Insurance, a subsid-iaty of ITT. Other Wall Street The companies first firms had looked at its books amounced their tentative deal before Pru-Bache but no deal a month ago after discussions.

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ary of its chairman, Mr Z. Lou Guttman, to \$100,000. Mr Hanemann, a gold trader, who was voted Comex chairman in March last year, is also due to have an opera-tion in October, which will involve a four-month absence from the exchange The acerbic Mr Hanemann provided much-needed leader-

ship at Comex as the exchange emerged from a difficult period following the 1987 stock market crash and prob-lems with its clearing system. Last week the exchange also Mr George Ball, Pru-Bache's chief executive, was reported as saying a team from his firm had found at Thomson McKin-non "problems in the balance sheet of sufficient size that it appointed Mr Arnold Staloff as its new president. Mr Fink, a 40-year old trader would have been imprudent to

in gold futures, will serve the remainder of Mr Hanemann's two-year term which expires in March next year.

June, 1989

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awarding a salary for the chairmanship in a May refer-endum, and the chairmanship had been an enormous finan-cial burden on him. cial burden on him. The chairmanship of a futures exchange has tradi-tionally been an unpaid post, but Chicago's two main exchanges and the New York Mercantile Exchange have all introduced salaries for their chairmen. The Nymex board recently voted to boost the sal-ary of its chairman. Mr Z. Lou

MOTOROLA, the US

# ISTITUTO BANCARIO SAN PAOLO DI TORINO

Sezione Credito Fondiario

# ECU 200,000,000 **Medium Term Loan Facility**

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# **US\$ 100 Million**

**Revolving Credit Facility** with **Uncommitted Options** 

# **Den norske Creditbank**

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as Lead Managers and Arrangers

**Banque Nationale de Paris** 

Christiania Bank og Kreditkasse

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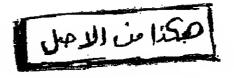
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Junda         Junda <th< th=""><td>ala Growth</td><td>- To Hill Man Perts</td><td>EY (SIB RECOGNISEB) House Found Migrs (CD) Ltd (0905)H House Found Migrs (CD) Ltd (0905)H House Found Migrs (CD) Ltd (0905)H House Found Migrs (CD) Ltd (0905)H Damitrast Monagement (Cavensey) Ltd Damitrast Monagement (Cavensey) Ltd</td></th<>	ala Growth	- To Hill Man Perts	EY (SIB RECOGNISEB) House Found Migrs (CD) Ltd (0905)H House Found Migrs (CD) Ltd (0905)H House Found Migrs (CD) Ltd (0905)H House Found Migrs (CD) Ltd (0905)H Damitrast Monagement (Cavensey) Ltd Damitrast Monagement (Cavensey) Ltd
Instant       138.0       148.0       133112       Regency Life Assurance Co. Ltd       01.388500       01.4011       145.0 </th <th>Diff         Diff         <thdift< th="">         Diff         Diff         <thd< th=""><th>44331         Do Adventurus         111.8         117.9         44340         Facsmite           44332         Derivanta &amp; Edicat.         120.9         44340         Center IX.           9         -44333         Do St Ed Global Pers.         132.2         139.2         44540           2         -44333         Op St Ed Global Pers.         132.2         139.2         44540           2         -44334         Sharp CAlbert E.I.6. Ca         UK Egenty         UK Egenty           12         Newell Stores, Stringthan B.3, ER, (c21-200.2244)         Joseper         Joseper</th><th>La T (318 KELUGHIJSED) Maasyd</th></thd<></thdift<></th>	Diff         Diff <thdift< th="">         Diff         Diff         <thd< th=""><th>44331         Do Adventurus         111.8         117.9         44340         Facsmite           44332         Derivanta &amp; Edicat.         120.9         44340         Center IX.           9         -44333         Do St Ed Global Pers.         132.2         139.2         44540           2         -44333         Op St Ed Global Pers.         132.2         139.2         44540           2         -44334         Sharp CAlbert E.I.6. Ca         UK Egenty         UK Egenty           12         Newell Stores, Stringthan B.3, ER, (c21-200.2244)         Joseper         Joseper</th><th>La T (318 KELUGHIJSED) Maasyd</th></thd<></thdift<>	44331         Do Adventurus         111.8         117.9         44340         Facsmite           44332         Derivanta & Edicat.         120.9         44340         Center IX.           9         -44333         Do St Ed Global Pers.         132.2         139.2         44540           2         -44333         Op St Ed Global Pers.         132.2         139.2         44540           2         -44334         Sharp CAlbert E.I.6. Ca         UK Egenty         UK Egenty           12         Newell Stores, Stringthan B.3, ER, (c21-200.2244)         Joseper         Joseper	La T (318 KELUGHIJSED) Maasyd
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Relizerer norman.         Relizerer norman.         0992 510033         Scortlide Mistael Assertance Seclety         Fra.           Bauerer Ster Pen Acc.         187.7         184.2         -44.03         Relizerer Huse, Tentider Wells, Kont         0992 510033         Scortlide Mistael Assertance Seclety         184.2           Bauerer Ster Pen Acc.         127.4         154.2         -44.03         Relizerer Huse, Tentider Wells, Kont         0992 510033         Scortlide Mistael Assertance Seclety         184.2           Scort Mary Pen Acc.         121.0         111.0         114.0         -44.03         Relizerer Huse, Tentider Wells, Kont         1095.2         1095.2         Mary Pen Acc.         117.0         121.5         145.2         457.0         149.2         457.6         1095.2         1095.2         1095.2         1095.2         1095.2         1095.2         1095.2         121.5         145.2         457.0         1095.2	User Encode Pfollo         97.7         102.8         -         UK Life Assonmente Co Ltd           Sign Japan Pfollo         93.6         103.7         -         Workhing Rd., Horsham, RH12 15L           Sign Spronlo         91.9         96.7         -         Managed         111.9         111           Sign Spronlo         17.6         185.6         -         44161         Managed         111.9         111	44364         South Yorks investment manuament         34031         Jchn 6           44364         Hoston Paptell, Docarter Did 70W         9777 540331         Jchn 6           50         44365         Post-Mars Schooler         121.0         127.3         -         -         Borts 100.0           51         Verts Intl	admand Ltd (1977) 9,77 9,77 9,86 1.0 - Greet 52 East (1975) 59,77 9,77 9,77 9,86 1.0 - Greet 52 East (1975) 59,67 9,97 10,01 8.5 - Greet 52 East (1975) 59,67 9,77 10,01 8.5 - Greet 52 East (1975) 59,67 9,77 10,01 8.5 - Greet 52 East (1975) 59,67 10,01 8.5 - Greet 52 East (1975) 59,67 10,01 8.5 - Greet 52 East (1975) 59,67 10,01 10,00
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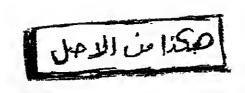
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- 2 <sup>5</sup> - 2	For Start Landy         21.16         120.0         232.7         Strang           M. Auschaft Burlty         21.04         120.0         452.7         Strang           Ubit Klopdow Eurity         21.04         120.0         452.7         Strang           Ubit Klopdow Eurity         21.04         120.0         452.7         Strang           Starting Bonds         51.35         1200         452.7         Target           Starting Bonds         51.35         1200         452.7         Target           Starting Bonds         51.35         1200         452.7         Target           Starting Correg         51.35         1200         452.7         Target           Ubit Dollar Darresty         51.95         452.97         452.97         Target           Ubit Dollar Darresty         51.95         452.97         452.97         120.92	1004 Investment sheets # Au Get F4_ 145 8 45.26 - 45922 Sty Denosit Can - 45922 Sty Denosit Can - 45922 Sty Denosit Can	Act 51.007         1.003         -         -         Europe Management S.A.           Act 54.007         1.005         -         -         Europe Management S.A.           30.014         1.005         -         -         Europe Management S.A.           30.014         1.005         -         -         Europe Management S.A.           30.014         1.005         -         -         Europe Malagement S.A.           30.014         1.005         -         Europe Malagement S.A.           4.0147         -         Europe Malagement S.A.         -           7.02         7.03         -         Europe Malagement S.A.         -           7.03         7.05         -         Europe Malagement S.A.         -           7.03         7.05         -         Europe Malagement S.A.         -	CAV)         1.817/ress.139c 2000	CORPORATION LOANS 3288miagtan 13-bp: 1987. 450 Db. 11-bp: 2012. 462 LL 64 pc 1990-92 571-67 LL 64 pc 1990-92 571-67 LL 64 pc 1990-92 571-67 LL 64 pc 1990-92 5149-500 33-bp: 2006 5149-500 33-bp: 2006 5149-500 33-bp: 2007 941-71 LL 64 pc 198-90 941-71 LL 64	664 Stoos Freighten, 624c.         175         96c.         3 5 6 2         Fr Mr An Pr           1555 Zhom I Baht Corp 54         153         155         153         155         15           1555 Zhom I Baht Corp 54         153         155         153         155         155           164 Stoos Fridawn Dus Sone.         275         154         100         157         157           104 Stoos Corp 51         251         51         50         54         10         10           105 Obata Erneral         10.5         54         37.5         30         54         12.06           296 bibata Erneral         10.5         37         37.5         37.0         3         13
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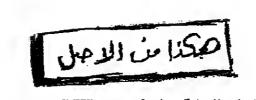
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	46.0 Stanley Leisne	ALL 2010. Large Childs with 1       GGR 1	Central Rand         4.05/Durban Breen, 20.4       28       -       -       -       20.5         2.05/Durban Breen, 20.4       1.9       -
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	111         Selficitie         111         Selficitie         112         Selficitie         113         Selficitie         1140	1.02       Da. Warranta       102       1.03       1.13       Galaxie       102       Aug Nov State       102       1.04	1.1.2. 2000: C. Cold Friedda, of 1.2880 (#W0.01 3.6277.2) Mar flow       1.2.2.2.2.2.2.2.2.2.2.2.2.2.2.2.2.2.2.2
	3.214Craine Long Land, 10, 17, 21, 21, 21, 21, 21, 21, 21, 21, 21, 21	0.0       201       2	Vicinity Diality Parities       41       41       41       41       41         Vicinity Diality Parities       42       14       44       Theorie Kill       7       52         Vicinity Right 2011       52       7202119.3       443       Theorie Kill       7       52       Theorie Kill       7       54         Vicinity Right 2011       52       92       92       92       92       7       52       Theorie Kill       7       54         Vicinity Right 2011       13       92       924       2.7       -       -       6747       Birth Store       7       10
	222         Billionicas Opera 100-18         Mar. 10         127.12         Arm. 102         127.12         Arm. 102 <th></th> <th></th>		

Local

DOLLAR INDEX

# CURRENCIES, MONEY AND CAPITAL MARKETS

# CURRENCIES AND MONEY REVIEW Pound's outlook will hinge on inflation

THE RECENT hatch of UK economic statistics are, on the face of it, better news for ster-ling. But the reaction of institutional investors remains cautious. Interest rate differentials at the moment indicate that hy this time next year sterling is bencilled in as standing at DM2.89 against the D-Mark compared with Friday's close of DM3.0675. This is based on the 12-month forward rate on sterling against the D-Mark which shows a premium of around 17% pfennigs.

However, most analysis are not entirely convinced that the authorities will allow the pound to fall to that kind of level. But although the latest data on the UK economy are regarded as mildly encourag-ing, there is still little sign that investors are becoming opti-mistic, hence the reluctance to gamhle on the interest rate premium over the potential exchange rate loss. Sterling's forward value is a

straightforward computation that takes into account the dif-

2 IN NEW YORK

authorities allowing the pound to fall much below the DM3.00 level, but if at any time there

CURRENCY RATES

authorities.

July.14	00		Close	July.14	Bank Tate	Special* Drawing Rights	Currency Uset
	6 90-6	63pm 85pm 70pm	180-1.6190 0.66-0.64pm 1 96-1 93pm 7 25-7.15om a the US dollar EX	Sterling # U.S. Doilar Canadian S Austrian Sch Beiglan Franc Danish Krome Oeussche Elarit Meth Guilder French Franc	175	1.27204 1.27708 1.52317 16 8536 50 1318 9 29523 2.39567 2.68875 8.13245	1.47938 1.09573 1.30567 1.4.5677 43.3498 8.04650 2.07060 2.33500 7.02911
		July 14	Previous	Italian Lira	13.5	1739.42	1502.69
8.30 an 9.00 am 10.00 am 11.00 am 1.00 pm 1.00 pm 3.00 pm 4.00 pm		91.9 91.9 91.9 92.0 92.0 92.0 92.0 92.0 92.0 92.0 92	91.6 91.7 91.8 91.8 91.8 91.8 91.8	Againese tea Sognish Peseta Swedish Krona Swedish Krona Grees Drach, Irish Puet Scriling quote Scriling Scriling quote Scriling Scriling quote Scriling Scriling quote Scriling Scriling quote Scriling Scriling Scriling Scriling Scriling Scriling Scriling Scriling Scriling Scriling Scriling Scriling Scriling Scriling Scriling Scriling	8 91, 55 20 2	8 52079 150 321 8 20205 2.06376 207.101 0.896322 ns of SDR and Calculations	7.61095 130.118 7.07404 1.78768 179.042 0.774477

ferences between interest rates	Joining the erm was likely in
offered on deposits in different	the next year, then sterling
countries. At the moment, UK	would he hid up to around
interest rates are relatively	DM3.19 in the knowledge that
high, not only as a means of	the potential exchange rate
bearing down on UK inflation,	loss on a fall to DM3.00 would
hut also to attract foreign	be covered by the interest rate
investment. The latter is possi-	premium hased on the 12-
investment. The latter is possi-	month forward rate.
ble so long as there is confi-	
dence in sterling. But unless	The possibility of a lower
UK inflation is reduced consid-	pound/D-Mark rate also raises
- the and it now looks as	the problems of imported infla

pound/D Mark rate also ra the problems of imported in tion. If the price of raw ma UK initiation is reduced consid-erahly, and it now looks as though the Treasury forecast of 5.5 per cent hy the end of the year is optimistic, there is unlikely to be any easing in the tight monetary conditions als starts to rise at a tim falling demand, there is a s choice hetween a squeez profit margins (something that is already happening) or higher prices for the consumer. The currently imposed hy the UK authorities. Much of the interest in ster-ling's rate against the D-Mark has been generated by the con-tinuing dehate ahout the pound's entry into the exchange rate mechanism (erm) of the European Mone-tary System. There seems little immediate chance of the UK authorities allowing the pound choice comes at a time when bank lending to consumers for reasons other than house purchase showed a record rise of £2.1bn in the three-months to

May. Mr Roger Bootle, chief UK economist at Greenwell Montagu, points out that, in addi-tion, lending by finance houses and others was higher in the three-month period to May than in the boom period last

were a tacit admission that CURRENCY MOVEMEN Back of England Index

July.14

Sterilog Canadian Dollar Austrian Schille Beigtan Franc Dautsche Mark Swiss Franc French Franc Lea

General Change

立ちにたいなるのなるのな

1.0890 - 1.0990

Commercial rates taken towards the end of London trading.) UK and Ireland are quoted in US corrency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belguin rate is for convertible frames. Financial fram. 39.75-39.85.

FT LONDON INTERBANK FIXING

The fixing roles are the arithmetic means rounded to the nearest one-strikemb, of the bid and othered roles for \$10m oppind by the market to five reference banks at 11.00 a.m. such working the. The banks are Malonal Westerholes Bank, Samt of Tokyo, Deutsche Bank, Bangee Rational de Paris and Morgan Guaranty Trust.

par-0.10c5h -0.55 0.90-0.65pm

bid 8%

6 menths US Dollars

Six

6.90-7.05

10-104

7.00

offer 84

ly in	year.
rling	This hrings a number a wo
ound	rying possibilities into play
that	says Mr Bootle. First, th
rate	effects of higher interest rate
bluo	may be starting to wear off or
rate	alternatively, the squeeze o
12-	disposable income ha
	prompted a switch to increase
ower	personal borrowing rathe
aises	than a reduction in living star
infla-	dards. Either way, the underly
ateri-	ing picture is more gloom
ne of	than the UK statistics release
stark	last week indicate.
te of	On this basis, talk of an
that	early reduction in interes

early reduction in interest rates is premature, as indeed Mr. Nigel Lawson, the UK Chancellor, made clear in Paris last weekend. Furthermore, while the attractions of having a sterling/D Mark rate of DM3.00 are a tempting way of stimulating exports, the penal-ties involved in the shape of higher inflationary pressures make the prospect of sterling at this level that moch harder to see. reduction

to see. Jonas Crosland

July.	14	£		\$
Argentik	a 1048	10 105	15 650	00-655.00
Australi	a   2.L	30-2.14		90-1.3200
Brazil .	29	175-245	35   L62	90-1_650B
Floland	6.8	95-6.90	05 4.26	80 - 4 2730
Greece .		35-36.		95-164.55
Hone Ka	12.6	50-126		35-1,8055
Mag	114		71.9	
KorealS	LU76	20-108	85 664	30-66970
Kowalt.		70-0.47	890/0.244	30-0.29450
Losop	64	00-64.1		70-34 80
Makersl	4.3	13.434	45 2.68	35-26855
Menuico	4039	30-4051	15 2505	00-2510.00
N. Zosta	2.7	170-2.74	30 1.75	00-1.7530
Sandi A		00-6.09		00-3.7510
Singero		55-3 26		55-29575
S. ALCO		10-4.37		60-2.6990
SALE	0 629	40-641	95 3.89	65-3.9760

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ENPAL

OTHE	R CURRE	NCIES	P W W
July.14	E	\$	Ň
Argentina	1048.10 - 1057.15	450.00-655.00 1.3190-1.3200	Ŧ
Brazil	29475-29535	1.6230-1.6300	
Greece	262.35-36.55	161 95-164.55	1
hang Kang .	12,5050-12,8210	7 8035 - 1,8055	i c

_	2000	24475 24535	1.6280-1.6308	1
		294/3-2933	L6280 - 1.K900	
	Fieland	6.8795-6.9005	4.2680 4 2730	Base va
	Greece	262.35-365	161.95-164.55	139.65 (
	Hont Koss	12,6050-12,6210	7 8035 - 1 8055	
	100 mm	114 70-	71.50*	Copyrig
		1076 20-1084 85	ANA 10-140 70	French
	Koratt	47790-047890	0.29430-0.29450	
	Landerstown	64 00 -64.10	39 70 - 39 80	CONST
				Norway
	Malaysia		2.6835-2.6855	
	Met. 00	409-30-405115	2505.00 - 2510.00	Name C
	Li Zenisni I	2 7371 2 7434	1 7508.1 7620	

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuarles and the Faculty of Actuaries THURSDAY JULY 13 1989 NATIONAL AND REGIONAL MARKETS FRIDAY JULY 14 1988 Gross

US Dollar	% change since	Pound	Currency	rency since	Div. Yield	Dollar	aterting index	Currency Index	1989 High	1989 Low	ago (approx)
			_		_	135.25	123.47	118.92	157.12	128.28	145.31
							1 14.55				84.98
124.57	+ 29.8						121.60	129.59			112.98
181,94	- 2.3						131.58	124.51	144.53		127.31
144.53	+ 15.1							218.66	218.66		124.42
215.11	+26.2	187.94						129.28	159.18	125.81	128.33
142.26	÷ 8.7	130.94						126.06	125.95	112.57	92.29
124.44	+ 8.2	114.46						92.05	95.32	79.56	75.54
93.75	+8.6	86.23							140.33	86.41	111.08
	- 6.7	95.98								125.00	138.43
143.26	+8.7	131.76							81.46	74.97	69.04
91.08	+7.0	83.77							200.11	164.22	160.59
179.95	-8.0	165.51								143.35	150.83
	+32.3	174.57	198.24								160.47
	+64.0	244.09	727.59	+79.8							102.94
		113.99	121.33	+ 18.1							77.96
			81.57	+8.1							118.42
			182.97	+ 47.8							128.35
		155.74	152.67	+ 36.2							- 125.90
			131.17	+ 33.5							147.26
			137,15	+7.7	3.74						115.94
			169.61	+29.4	2,03						
			85.98	+ 18.2	2,23						78.59
				+ 25.5	4.22						129.13
					3.33	134.51	122.79	134.57	135.15	112.13	110.94
133.15	- 13.4			_	- 40	400 17	115 18	119.66	126 24	112.83	103.76
125.61	+9.5	115.52									111.32
172.94	+23.6	158,78									157.95
		181.32	156.10								136.29
		143.10	141.72								111.81
		124.73	134.52	+ 19.1							
		100.61	108.66	+ 15, 1							67.98
		111.14	110.34	+ 3.4							126.18
			141.26	+ 10.1	1.69						135.91
			139.16	+ 11.8	2.03						125.92
				+ 12.8	2.22	147.44					126.19
					3.42	131.40	119.95	128.12	131.55	114.51	109.72
					2 23	147.47	134.63	138.66	147.47	135.68	126:19
147.03	+ 5.3	135.23	100.14	- 12.0							
	Dottar Index 135.06 124.57 181.94 144.53 215.11 142.26 124.44 93.75 104.38 143.26	$\begin{array}{rrrr} \text{Driver} & \text{sincs} \\ \text{Index} & \text{Dec. 30} & \text{88} \\ \hline 135.06 & -8.5 \\ 124.57 & +29.8 \\ 181.94 & -2.3 \\ 144.53 & +15.1 \\ 215.11 & +26.2 \\ 142.26 & +8.7 \\ 124.44 & +8.2 \\ 93.75 & +8.6 \\ 104.38 & -6.7 \\ 143.26 & +8.7 \\ 91.08 & +7.0 \\ 179.95 & -8.0 \\ 189.80 & +32.3 \\ 285.39 & +64.0 \\ 123.94 & +30.2 \\ 123.94 & +30.2 \\ 123.94 & +30.2 \\ 123.94 & +30.2 \\ 123.94 & +30.4 \\ 151.56 & +2.1 \\ 193.40 & +30.2 \\ 169.33 & +35.4 \\ 152.42 & +30.4 \\ 151.56 & +2.1 \\ 126.93 & +35.4 \\ 151.55 & +11.9 \\ 125.61 & +9.5 \\ 172.94 & +23.6 \\ 175.40 & -5.9 \\ 125.59 & -1.3 \\ 135.62 & +19.1 \\ 109.39 & +7.7 \\ 120.84 & -3.0 \\ 155.24 & -0.6 \\ 146.82 & +4.7 \\ 147.00 & +5.2 \\ 131.55 & +14.7 \\ \end{array}$	Dottar Index         since Dec.30         Starting Index           135.06         -8.5         124.22           135.06         -8.5         124.22           124.57         +29.8         124.22           124.57         +29.8         124.22           124.57         +29.8         124.22           124.57         +29.8         124.35           144.53         +15.1         132.93           215.11         +26.2         187.94           122.45         +8.7         130.94           124.44         +8.2         114.46           93.75         +8.6         86.23           143.26         +8.7         131.76           91.08         +7.0         83.77           179.95         -8.0         185.51           189.80         +32.3         174.57           285.39         +64.0         244.09           123.94         +10.3         113.99           65.20         -2.1         60.89           193.40         +32.3         177.67           189.80         +32.3         176.57           15.54         155.4         155.74           15.65         +2.1	$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	$\begin{array}{c c c c c c c c c c c c c c c c c c c $	$\begin{array}{c ccccccccccccccccccccccccccccccccccc$					

FT-ACTUARIES WORLD INDICES

aluss: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US \$ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = (US \$ Index), 114.45 (Pound Sterling) and 123.22 (Local). ight, The Financial Timas Limited, Goldman, Sachs & Co., and County NatWest Securities Limited. 1987

market closed July 14. ITTUENT CHANGES: Deletions:De Densks Sukkerfabrikker, De Danske Spritabrikker (both Denmark)(12/7/89) and Vesta Gruppen

F. 114 F. 51 F. 51 F. 55 F. 55 F. 55 F. 451 F. 140 F. 151 F. 150 F. 150

y)(13/7/89). Changa: Duquesne Light to DQE (US) (12/7/89).

162

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Unitever C Unitever P Van Onemer

Price

3 1.30 0.30 4.70 1.60 0.50 0.60 1.20 0.60 1.20 0.60 1.20 0.5

TOTAL VOLUME IN CONTRACTS : 66,980

C = Call

P-Put

415129-1-3758449-1533-

Series         Vel         Lass         Vol         Lass         Vol         Lass         State         Adde All         A	SE LENDING RATES
POUND SPOT- FORWARD AGAINST THE POUND         Cold C         \$ \$400 4         L40 a         26 b         6.50 -         -         \$ \$71 30           July 14         Sand         Case         free month         \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	City Merchants Bank
Spread         P.4         modells         p.4.           US         1.6085         1.6255         1.6115         1.6125         0.650         6.229         4.73         1.9218         4.73         1.9218         1.	Comm. Bk. N. East
IS	Contis & Co 14 Korwich Gen, Trust 14 Crones Peender 8k 14 PRIVATbankra Limited, 14
M. Germany 3063 - 307 3 40 - 307 14-14 mpt 707 54-34 m 6.6 EDE Index C F1.315 1062 1.50 250 5.80 - F1.312.76 Bank Credit & Comm. 14 Martugal	Dankar Bank PLC
Certman         J.154         J.042         J.174         J.042         J.174         J.042         J.174         J.042         J.174         J.042         J.174         J.042         <	Equatorial Bank plc
111.214       112.214       122.4	Financial & Gen. Bank 14 Royal Trust Bank
$ \begin{array}{cccccccccccccccccccccccccccccccccccc$	Robert Fleming & Co., 14. Standard Caartered., 14     Robert Fleming & Plans., 1412. TSB     14
ma 2147-21.62 21.50 21.53 11.4 mmm 5.56 5.76 EDE Index P FI. 315 2.55 3.40 87 6.50 20 9.20 FI. 312.76 Bangar Bebe 10	Girolant
	HFC Bank pic 14 Unity Trust Bank Pic 14 Hamiros Bank
Hiterstame. 2 bit - 2	Heritable & Genino Bat, 14 Westpac Bank Corp
S/FIP FI 220   109   0 60   1606   1.83   175   3.26   FI, 214.10   Bitwisticity multiple communication of the second state of	C. Hoare & Ca
SIFIP FI. 220 29 5.50 5 8 a 52 14.70 FI. 214.10 Business Mage Tst 14 DOLLAR SPOT- FORWARD AGAINST THE DOLLAR	Londs Bank 14 Banking & Securities. Hose McChambel insulas Bak 14 Association. * Descrit sor 5.9
Inter I Day's Glose Overseeth % Protections Rade 14	Middani Bank Lid 14 Restant arcs 12.8% & Mortuage to
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Trad mund 1 22 1 4 74 1 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4	
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July 14	Short	7 Days notice	Month	Three Months	Six Months	Ver
Stering Can, Dollar Dealder Swe Franc Denischmark Fr. Franc Tallan Lure B. Fr. ICan J. Fr. Gran B. Fr. ICan J. Kroe San Schrg	14-134 9/1-121 7/6-612 4-85 121-121 4-85 12-612 4-85 12-815 5-1-912 8-1-915 5-1-915 5-1-915 9/1-915	13%.131 92,9 124-1219 7-54 91,4819 94,819 12-11 81,881 81,881 5,2-5,4 10,2-8 94,9	2411602121714080264 1941449414949494 194144949494949494	1387, 2968, 2788, 278 1387, 2868, 287, 287, 287, 287, 287, 287, 287, 28	134-134 833-8,2 114-115 7,7-7,6 6,4-6 4,9-9 124-114 8,9-9 124-114 8,9-9 5,2-5 4 954-85 84-85 84-85	114490745919 114490745919 114490745919 11764919 11776491000000000000000000000000000000000000

	EXCHANGE CROSS RATES										
July 14	ε	5	DM	Yen	F fr.	S Fr.	4 61	Ura	C S	B.Fr.	
ŝ	10620	1.612 1	3068	226.5 140.5	10 41 6.458	2.653 1.640	1458 2,145	2228 1381	1925	64.05 39.73	
OM YEN	0.354	0.525 7.117	13.55	73.83 1000	3.393 45.96	0 865 11.71	1127	725.6 9828	0.627 6,499	20.83	
F Fr. S Fr.	0.961 0.377	1.549 0.608	2947	217.6 85.38	10. 3.924	2.549	1.122	2138 839,1	1.849 0.731	61.53 24,14	
H FI. Lira	0.289 0.449	0.466 0.724	0.887 1.378	65.50 101.8	3.010 4.677	0.767 1.192	1.55	643.7 1000.	0.557 0,865	18.52 28.77	
C S 8 Fr.	0.519	0 837 2.517	1.594 4.790	117.7 353.6	5.408 16.25	1.378 4.142	1.7%	1156 3075	1 3.005	33.27 100	
Yes per 1.0	00. Frend	Fr. per 1	lo Lira p	1,000.	Belglan F	r. per 100		_			

ferences between interest rat offered on deposits in differe countries. At the moment, I interest rates are relative

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# **MONEY MARKETS**

# A little too soon for any real optimism

UK INTEREST rates may well rise this week from lows touched last Friday as many traders believe that the posi-tive reaction to recent UK data may have been a little over may have been a little over done. Three-month sterling deposits for September delivery in the London futures market closed on Friday discounting a half point cut in bank base rate

The market had reacted to a

UK clearing bank base lending rate 14 per cont from Kay 24

set of better than expected figures on inflation and industrial production, rather than to a set of figures which, in terms of international competitiveness,

are still pretty poor. Cash rates slipped A of a point on the week in the important three-month inter-bank period to 131-131 per cent. Furthermore, the shape of the yield structure on money out to one year has taken a distinctive turn to a

÷.

reverse curve. While this time last week one-month and one year money were almost the same, the longer period fin-ished on Friday some % of a point lower.

Longer term assess also influenced by the rates clsewhere. US statistics released last the market to believe **US Federal Reserve** n OS rederal Reserve no greater degree of flexi whether or not to redu est rates. One thing clear, whatever decis Fed takes is unlikel taken quickly, becaus fear of getting it wron inflation front.

Mr Christopher Tinker of Mr Christopher Tinker of Phillips and Drew suggests that the dollar's path is now likely to be influenced by the re-emergence of interest rate differentials as a driving mar-ket force. The spread in favour of the dollar has narrowed over the nast three wonths and dol the past three months and dol-lar bulls are likely to face a hard time. This gives some potential relief on external pressures on UK rates.

Adda and						
ie % of a			ONE	RAT	ES	
e trend in	NEW YORK		_	Treasury	Bills and	Bonds
economic	4pm, Jul 14		Cor clouth		7.55 Tart	-
t week led			Two month		8.03 Four	TORT
e that the	Broker loan rate	- 10	Three month	Page 10	8.09 Fhe	
low has a	Fed franks		Dae year		8.03 Sene	FC#
	Fed.funds		Two year		7.79 30-7	F
cibility on				-	-	_
luce inter-	July.14	Overalget	One	Two	Tirte	Six
g appears			Month	Mentis	Months	Mont
ision the	Frankfurt	6.80-6.90	6.80-6.90	6.85-6.95	6.85-7.00	6.90-7.
ely to be	Paris	95-95	94-94	94-94	9.1.9 61-7 7.06-7.16	91.9
ise of the	Zurich	6917.06	64.7		- 25-7.	-
	Toke	4월-5			54.54	1 1
ng on the	Hillion	121-121	武武	1 1	124-54	
	Grassels	121-121-	94-94		8.6.	
finker of		84-4	24-95	912-914	91-91	10-10

(11.00 a.m. July.14) 3 months US dollars

54 84

offer 8-

# LONDON MONEY RATES

July.14	Overnight.	7 days notice	One Month	Three Months	Six Months	One Yea
nterbank Offer	137	1378		13%		
nterbank 8id	124	13	131	1314	135	13
Sterling CDs.	1342	134	1 123		134	13
Local Authority Bonds		104	104	DH	107	134
Discount Alkt Deps	LUR .	134	135	135		
Company Deposits		_	III I	57	134	137
Inance House Deposits	· 1	- 1	1312	134	끐	B
reasory Bills (Boy)	~	•	134	131		
Bank Bills (Buy)	· ·		192	134	1212	-
Dollar COS			14	1111111145	1211	
SDR Linked Dep Offer		2	11111149.889.8	9.(2 91	9.00	8.4 84
DR Linked Dea Eld			84	8.	82 (	SL.
ECU United Dep Offer]		•	95	81 84 9	84 84 94	84 95
CU Linked Dep Bid	-	-	82	9	94	91

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# **FER** WORLD TRADE CEN **PARIS-LA DEFENSE**

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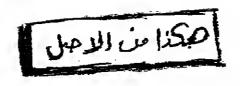
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# WORLD STOCK MARKETS

	ANCE (continued) CERMANY (continued) TIALY (continued)	SWEDER CANADA
2,980 2,030 Greitzestak	1989         Prize         1982         Prize         1983         Prize         1984           A Law July 13         Pro.         High Low July 14         Inc.         High Low July 14         High Low July 14           0         434 Alstham         61         204         176         Batework         220         3136         2554 SIP           95         2285 Arjanget-Prize         2132         2904         Batework         233.5         10,440         8,550 Safia A           29         829         Asstilizer of 222         2004         Batework         439         32.55         10,440         8,550 Safia A           5         714         Hit         567         47.55         BMW         5460         4.500 Salsam	Live Righ Low Jaty 24 Krear S.150 200 208 AGA S (Fred 255 10,470 655 450 Atta-Land S.Fred 255 10,470 655 450 Atta-Land S.Fred 255
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6,460 3,850 Arted	9         333         Confinerg         299         214.4         151         Denotes Bakest         206         124         91.4         Amid           5         337         Confinerg         299         214.4         151         Denotes Bakest         206         124         91.4         Amid           5         337         Confinerg         299         214.4         151         Denotes Bakest         654.5         157.3         141.3         AKCD           4         366         Confinert         255         45.1         40.5         ABV           7         302         Construct         513         679         435         Denotes Holdson         59         47.2         AMIKV           3         B01         Credification Fr	45.10 174 147 Sta Handelston, 174 1400 BC Super A 5155, 355 145 - 1 1000 BC Super A 5155, 355 145 - 1 1000 BC Super A 5155, 355 145 - 1 1000 BC Super A 5155, 355 145 - 1 1000 BC Super A 5155, 355 145 - 1 1000 BC Super A 5155, 355 145 - 1 1000 BC Super A 5155, 355 145 - 1 1000 BC Super A 5155, 355 145 - 1 1000 BC Super A 5155, 355 145 - 1 1000 BC Super A 5155, 355 145 - 1 1000 BC Super A 5155, 355 145 - 1 1000 BC Super A 5155, 355 145 - 1 1000 BC Super A 5155, 355 145 - 1 1000 BC Super A 5155, 355 145 145 145 145 145 145 145 145 145 1
5.940 3.164 Cobers5270 1 6.150 5.270 Do. AFV 15770 1 6.150 5.370 Do. AFV 25970 4 578 329 CockerRi373 5 17.000 NLOG CoherRi373 5	3         BOI         Crief Fanctine Fr         BMS         BIL         272         Demonstrative         284         90         75.3         AMRO           25         407         Confit Matchend         1.00%         559.5         27.5         Demonstrative         501         373.5         Both         359.5         377.5         Demonstrative         409         11.01.55         Both         359.5         377.5         Demonstrative         409         11.00.5         Both         359.5         304.7         Demonstrative         409         11.00.5         R5.7         S7.7         Both         359.5         207.7         Both         359.5         207.7         Both         359.5         207.7         Both         359.5         304.5         207.7         207.2         207.2         207.2         207.2         207.2         207.2         207.2         207.2         207.2         207.2         207.2         207.2         207.2         207.2 <t< td=""><td></td></t<>	
	0         506         Cardinary         507         507         507         507         507         1177         507         100         507         100         10	- Chang - Chan
1.460 1.240 Dt. AFV	255         267         Charlet listering         21005         222,82         247         Desting lister         255,5         151         133,5         Bob Lanz           705         2,922         Damart         3,199         430,3         304         Pay Superline lists         160,4         113         Barnaw           705         2,722         Damart         3,199         430,3         304         Pay Superline lists         400,5         73.8         57.7         Barnawi         160,4         117         Barnawi         105,4         117         Barnawi         73.5         77.5         Pairoscience         256.5         70.4         43.17         Controlscience         70.5         70.5         70.4         43.17         Controlscience         70.7         Barnawi         70.5         70.4         43.17         Controlscience         70.7         Barnawi         10.5         70.4         43.17         Controlscience         70.9         70.0         20.0         10.8         122         Issuescience         70.4         43.17         Controlscience         70.4         43.17         Controlscience         70.0         30.0         10.0         10.0         10.0         10.0         10.0         10.0         10.0	STOD         SXSD         ZASSD         Z
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4,936. 900.3 Sophin Beneditip. 1454.8 5 6,100 4,541 Superfect	0         410         Sefimey         510         15,600         12,000         19,700         12,000         17,70         12,000         17,70         12,000         17,70         12,000         17,70         12,000         17,70         12,000         17,70         12,000         17,70         12,000         17,70         12,000         1	Line         Line <thline< th="">         Line         Line         <thl< td=""></thl<></thline<>
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1989         Price         Price           High Low Jely 14         Yen         2           3,050         2,580 Alinometra         2,620           9,90         780 Alabone Braits         981           1,950         1,710 Al Nipone Air         981           1,950         1,710 Al Nipone Air         781           1,950         1,710 Al Nipone Air         781           1,950         1,710 Al Nipone Air         781           1,250 Alabone Braits         2,860         1,760           1,250 Alabone Braits         1,980         1,190           1,250 Arbits         2,300         1,910         1,190           1,900 Aking Garame         2,300         1,210 Arbits         2,210           2,400 1,920 Arbits         1,920         2,300         1,920 Arbits         2,210           2,400 1,920 Arbits         1,020 Arbits         2,2100         1,220         9,1           2,400 1,920 Arbits         1,220 9,2         2,2100         1,220 9,2         2,2100         1,220 9,2           2,400 1,920 Arbits         1,210 Arbits         2,220 9,2         2,220 9,2         2,220 9,2         1,200 1,20         9,3         9,3           1,970 1,120 Arbits         1,200 Arbits <t< td=""><td>A Low         Jeby 14         Yes         High Low         July 14         Yes         High Low         July 14           50         L500         Japan Radie         2.190         L400         High Low         July 14         Yes         High Low         July 14           50         L500         Japan Steel Will         L150         L190         High Low         L190         JULY 10         JULY 10<td>4,470     3.78     3     This little in</td></td></t<>	A Low         Jeby 14         Yes         High Low         July 14         Yes         High Low         July 14           50         L500         Japan Radie         2.190         L400         High Low         July 14         Yes         High Low         July 14           50         L500         Japan Steel Will         L150         L190         High Low         L190         JULY 10         JULY 10 <td>4,470     3.78     3     This little in</td>	4,470     3.78     3     This little in
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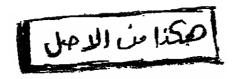
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# **FINANCIAL TIMES**

# THE MONDAY INTERVIEW

38

# Parental lessons of the bid for BAT

t is tempting to scoff when the hidders for BAT say their aim is to return the company to what it does best. The assembling of a con-giomerate hy one set of execu-tives, followed by its "unbindling" hy another, resembles the child's game of huilding a pyramid of blocks and knocking it down -except that the child eventu-ally grows out of it. ally grows out of it.

Nevertheless, fatalistically accepting that nobody is safe from a group of financiers with £13hn and a plausihle story is not the best response. The way in which diversified groups handle their snhsid-iaries can have an influence on market perceptions and on whether potential predators believe the sum of the parts is

Streater than the whole. Michael Goold and Andrew Campbell of the Ashridge Strategic Management Centre have examined the "parenting styles" of large UK companies and divided them into three categories.

Financial control companies, like Hanson, BTR and GEC, do not involve themselves in drawing up detailed strategic plans for their subsidiaries. Instead, managers in the different husinesses are given testing financial targets. The disadvantages of financial control have been well-rehearsed. Critics allege that it encour-ages an nnhealthy focus on short-term goals.

The advantage of imposing strict financial controls is that if the subsidiaries turn in a healthy performance, the value added by head office is there for all to see. Hanson squeezes the maximum out of its subsidiaries hy leaving them permanently on the auc-tion block. "All of our husinesses are for sale all of the time," one of its senior managers said. "If we think we can get more for them than they are worth to us, we will sell."

# Sharing make or break decisions

Strategic planning compa-

aspar "Kap" Cassani came as close as any non-American could realistically hope to leading International Business Europe. There is also an edge to his urbanity which testifies to his reputation as a tough manager: "There are macho types," he observes, "who say I did this' and I did that.' That is not my Machines, the world's largest computer manufacturer and fifth largest corporation. He has just retired after 38 years with the company, hav-ing achieved the position of

Corporation.

reached such a senior position

in IBM. Although the company

Armstrong, his predecessor.

impressed himself sufficiently

to write a book about it, Inside IBM, published in 1985.

Expect no such flamboyan-cies from Mr Cassani, a modest

man whose quiet imperturb-ahility cannot quite hold in check an impish sense of

humour nnusual in IBM's

upper echelon. But he has also a somewhat Germanic turn of

mind, careful and painstaking, that must have found kindred

spirits in the upper echelons of

IBM's management structure.

Germany, IBM's most impor-

tant European market, is also widely held to be the country

under judicial control, although the court then indi-cated that its power to inter-vene in any decision by the

A year ago the court came within an ace of holding that a

refusal hy the panel to grant

the Guinness company an adjournment of a hearing was

an infringement of a rule in the City's Code on Takeovers. Since the panel had weighed

all the factors for and against

granting an adjournment tha court held there was no proce-

Now the High Court has

extended its powers of review to the Advertising Standards

standards of advertising. It has

supervised a code of advertis-

ing practice since 1961. The

code describes itself as the

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staff conducts an initial scru-

tiny of the complaint to see whether it is of sufficient sub-

stance to warrant investiga-tion. If investigation is under-

taken, the advertiser is informed of the complaint and

ASA which is alone the adjudi-cator. If the complaint is

dural irregularity.

review.

strength. In a large corporation like this, yon have to be able to achieve things with others and through others Perhaps the best measure of his success is the fact that he joint vice-chairman of the hoard of directors. That role, in is one of only two senior IBM IBM's complex management structure, is second only to the chairman, John Akers. It fol-

# PERSONAL FILE 1928 Born Walenstadt, Swit-

lowed a string of posts includ-ing that of chairman and presi-dent of IBM World Trade zerland 1951 Joined IBM Switzerland No other European – Mr Cassani is Swiss – has ever

1967 Director of marketing, IBM Europe, based in Paria 1981 Chairman IBM World

European in the

computer group

court of a US

Trade for Europe, Mid-die East and Africa operates in almost every country in the world, and insists that the "country managers" who head its local operations 1988 Vice chairman of IBM board are natives, all the real power still resides with Americans. 1989 Retired from IBM hut

appointed to advisory The present head of IBM Europe, David McKinney, is a board

US citizen, as was Michael managers - the other is Nicholas Katzenbach, the for-mer US Attorney General - to have been asked to work past the so-called "turnover agree-ment" which since 1970 has So opportunities for success-ful non-American executives to rise to the dizzy heights of Armonk, IBM's world head-quarters in New York state, are few. Jacques Maisonrouge, the Frenchman who preceded ensured that IBM's top 50 or so managers retire at the age of Mr Cassani as chairman of World Trade, got as far as elec-tion to the main board and he

The explanation seems to be that Mr Cassani has served as point of reference for IBM senior management at a time when the computer industry and the corporation is going through unprecedented change, proving an invaluable repository of history, experi-ence and advice.

"He has a memory like a bloody elephant," a colleague said affectionately. "He can go back 15 years to when he was running a division and give you chapter and verse on why a particular decision was

While head of World Trade, Mr Cassani introduced in Europe a policy of decentral-

Alan Cane talks to Kaspar Cassani, who reached a higher rank at IBM than any other European gave much greater sntonomy to individual country manag-ers. The approach helped IBM to stem the erosion of its European market share, in the face of a revitalised European com-puter industry. And Europe now accounts for 43 per cent of IBM's total profits.

IBM took the lesson to heart; It has implemented similar decentralised decision-making across the company as it seeks to establish a closer, more co-operative relationship with its customers. Mr Akers has described the changes as the higgest at IBM in three decades. In essence, the idea was to shift much of the routine decision-making from the central management commit-tee, a group of 15 or 16 manag-ers who took all the important decisions, to a new company IBM (US) and to the six principal product and marketing groups. Mr Cassani says he enjoyed

his part in introducing the changes. "It was John Akers's organisation, hut I think I played an important part in that." Today, the management committee remains the pixet committee remains the pivot around which the husiness turns. It meets formally once or twice a week, hut since the establishment of the US arm of IBM as a separate profit centre under Terry Lautenbach, much of the rontine decision-making

bas been swept away. Decision-making within IBM is a complex affair of consen-sus and committees, often com-pared with the way Japanese companies arrive at corporate companies arrive at corporate conclusions.

So it is something of a sur-prise to find that at the very top, decisions are taken by the chairman alone. There is no vote, no enumeration of who is for and who is against. John Akers hears all the evideoce and makes up his own mind. What if Mr Cassani strongly disagreed with him? "Td tall him - before the meeting. "He says what he thinks is ight Thora are no forts in

right. There are no fights in ement



'I think I have a challenging style . . . I think I challenge people'

of view that come from the members' different hack-grounds and responsibilities and these opinions are dis-

The members do not line up their troops to go into battle. Akers is a very sensitive executive. He has a strong mind and he knows what he wants hnt he listens very carefully and respects other people's opin-ions. In our husiness, very often somebody who is at a lower level than you knows more about the subject than you possibly could. If you do

yon are done for." Mr Cassani joined IBM Swit-zerland as a marketing trainee in 1951 immediately following college and military certice college and military service. He was not a university gradu-ate, and jokes that he would not be employed by IBM today. He predated the computer era. The corporation's principal products were mechanical tab-ulators at the time and he did not touch an electronic compnter until 1955.

He became European director of marketing in 1967 and in 1970 was assigned to IBM's World Trade headquarters in the US where he had his first experience of general manage-ment as director of all IBM's product lines. "All of a sudden I had overall responsibility for

He thinks there is powerful value in changing career direc-tion: "You have constantly to npdate your entire manage-ment and staff. This is a char-acteristic of the fast pace of this industry. There are people in IBM, even in manufacturing, who have fundamentally changed profession twice or three times through their working lives. IBM spends a lot of money on providing educa-tion for this. It is an essential precondition for success in husiness."

He believes strongly in the value of working outside one's native country. There are arguments that IBM's policy of moving executives every few years - which led to the old ibe that IBM stands for "Tve been moved" - does more harm than good, hut he dis-agrees. "More than 3,000 people in IBM at any one point in time

those who want jobs with us is about 1:1,000." are working ontside their homa country. The reasons are man-To a large extent, it seems, agement development - a "Many have been working for "Many have been working for us part-time during their studies so there is no culture shock coming ont of university life and into industry. They country general manager must have been abroad - and transfer of technology hetween plants and laboratories. There is a lot of cross-fertilisation." He points out that where it

can he productively applied is necessary to move a product or process from a development very quickly." But they have to be mentally tough. The IBM way is to preslaboratory to a manufacturing plant, say, in Europe, the IBM way will be to despatch it in the care of a small group of ent ideas in person rather than through memoranda or dos-siers. Notes will be taken of decisions hnt the arguments

Education and training are among Cassani's prime conare presented vocally: That is how you see whether the idea is sound or whether there are weaknesses," he says, "That is how yon get the best out of your people. I think I have a challenging styla. I think I challenge people. They know they have to stand up to criti-cal questions." cerns. As a European, he worries that the US is far ahead of the rest of the world in the use computers in education, although he believes Europe is catching up fast. He is to be chairman of a new Swiss business school formed through the merger of the Genevabased IMI and Lausanne-based Imede which will become fully operational on January 1 next

He is enthusiastic about the quality of IBM's graduate intake but points out the company can be very selective: "The ratio of people we hire to

right decisions, no matter

are presented vocally: "That is

Jsck Koehler, a native North

American who was Mr Cas-

sani's co-vice chairman last

cal questions."

how large or small your fund is.

all the factors essential to the success of products - manu-facturing, maintenance and development."

critical people.

year has just been appointed IBM president. It may be a long time before another European asks the challenging questions at the very heart of America's computer champion.

You're not no place for the gifted

The pensions market-place is

zies, like BP, Cadhury Schweppes, United Biscuits and STC, do involve them-selves closely in the formulation of their husiness units' strategies. "Down at the husi-ness level there are two or three husiness decisions each decade that make or break a husiness," an executive of ona of these companies said. "Do you really want to leave the hnsiness manager alone to make these?"

Strategic planning works best when corporate head office has a detailed understanding of the husinesses in which the gronp operates. Strategic planning companies are not hid-proof, of course. Both United Biscuits and Cadhary Schweppes are potential targets. But a predator intent on breaking np such compa-nies needs to look at the contribution of the centre. It is possible that, without head office's guiding hand, the husinesses will be worth less separately than together.

Strategic control companies, the third group, are those which do not fit into the other two categories. Head office might give the subsidiaries might give the Subsidiaries advice on their strategies, hut they are not dictatorial about it. Generally, as long as their husinesses are doing well, the centre lets them get on with it. Sir Christopher Hogg, chair-man of Contauids, a strategic contral group described the control group, described the corporate centre as "a detached hut sympathetic and knowledgeahle 100 per cent shareholder.

Goold and Campbell also put ICI, Vickers, Imperial and Plessey into this last group. BAT was not one of the com-panies they looked at hat they have no donht it belongs here

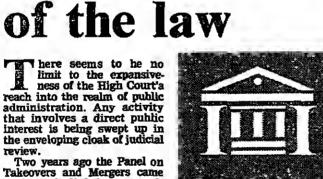
Of the strategic control com-panies. Imperial has already been snapped np by Hanson. Plessey is under siege from GZC and Siemens. Not all com-panies in this category are vul-nerable, but it is easy to see how more of them might be. There are advantages to

having a detached and sympa-thetic 100 per cent share-holder. It gives subsidiaries some heathing space and enables them to plan for the future. At least it did, until Sir James Goldsmith returned to the fray. Strategic control companies need to think hardest about what it is that they add to their businesses, before someone else comes along and answers the question for them.

newspapers and other media have voluntarily undertaken Michael Skapinker

culture is most at home in ised decision-making which but there are different points

# The lengthening arm



# JUSTINIAN

not to accept advertisements thought to be in hreach of the code, if unamended to meet the ASA's requirements for compli-

anca. Unlike the Takeover Panel there is no appeal. Is the ASA, a self-regulatory agency of the advertising industry, susceptible to judicial review? Not unnaturally the High Court relied on the ear-lier decisions relating to the Takeover Panel which is an unincorporated association by and represent many of the most infinential associations and financial institutions in the City of London. whose members are appointed

Authority (ASA), and quashed an ASA decision. The ASA is a company limited hy guarantee whose prime object is to pro-mote and enforce the highest It too possesses no legal pow-ers. Nor is it in contractual relationship with those whose conduct is being supervised. Its function is to ensure compliance with the City's code, which does confer certain pow-ers on it, subject to the framebody of rules hy which British advertisers have agreed to reg-ulate their conduct. The overwork of the law which gives riding provision is that adver-tisements should be "legal, decent, honest and truthful." The ASA acts as an investistatutory powers to the Trade and Industry Department in the last resort to control take-

The ASA also has no powers given by the Common Law or hy statute. Nor does it have contractual relationships with advertisers. Its activities are controlled hy a board of man-agement which consists of an agement which consists of an independent chairman uncon-nected with the advertising business, five independent members and five members from the advertising industry.

invited to comment. A report is prepared by a member of staff, which may contain a recommendation to olace before the council of the Quite apart from the com-mon features of the two bodies, the one characteristic that sealed the issue in favour of judicial review of the ASA is the exercise of a public func-tion. If the ASA did oot exist upheld, the proprietors of there would undouhtedly be

intervention from government in the regulation of advertising through the Director General of Fair Trading. Under the wider legal frame-work of EC directives and the Misleading Advertisements.

Regulations of 1988 implementing the European directive regulations, the director general may use certain powers, hut only if he is not satisfied that a complaint to the ASA has pro-duced a satisfactory result. On a recent occasion the director general used such powers.

The authority had decided that an advertisement for a product was misleading in sev eral respects. The company which marketed the products nevertheless continued to pub lish advertisements in the same form. The director general successfully sooght an interlocutory injunction in the courts to restrain the continued publication of the offend-

ing advertisements. Which body performing similar functions in the business of adjudicating on complaints by the public can now safely the public can now safely claim to he outside the elntches of indicial review? One which springs instantly to mind is the Press Council, now eagerly reviewing its role and function in order to avoid government intervention. It too forms part of the growing com-plaints industry which poten-tially comes within the pur-view of judicial surveillance. The only limit on the courts' overseeing of such bodies is where the function of the organisation is strictly private. But many private bodies, such But many private bodies, such as sports organisations, are becoming increasingly the objects of acute poblic interest in the conduct of their sports. There are signs that the courts are throwing off their self-re-straint in this area. Once the courts show will-ingness to intervene, the stan-dards of conduct of bodies at risk of indicial review teod

risk of judicial review teod markedly to improve. Even the threat of judiclal review averts its actuality. There are in effect no limits to the power of review hy the courts where review is perceived to be publicly necessary.

amateur. You're expected to know what you're looking fot, and eonsistently make the right deductions.

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